



PERFORMANCE IMPROVEMENT

# U.S. Economic Overview

Consumers and the Macro Economy

Special Holiday Edition

NOVEMBER 2022



# Disclaimer



The material in this presentation has been prepared by Ankura Consulting Group, LLC (“Ankura”) and is general background information about the matters described herein to be used for informational purposes only. This information is given in summary form and does not purport to be complete. This information should not be considered legal or financial advice. You should consult with an attorney or other professional to determine what may be best for your individual needs.

Information in this presentation should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities or other financial products or instruments and does not take into account your particular investment objectives, financial situation or needs. No one should make any investment decision without first consulting his or her own financial advisor and conducting his or her own research and due diligence.

Ankura does not make any guarantee or other promise as to any results that may be obtained from using the information in this presentation. Ankura shall have no liability to the recipient of this presentation or to third parties, for the quality, accuracy, timeliness, continued availability or completeness of any data or calculations contained and/or referred to in this presentation nor for any special, direct, indirect, incidental or consequential loss or damage that may be sustained because of the use of the information contained and/or referred to in this presentation or otherwise arising in connection with the information contained and/or referred to in this presentation, provided that this exclusion of liability shall not exclude or limit any liability under any law or regulation applicable to Ankura that may not be excluded or restricted.

IRS Circular 230 Disclosure: Ankura and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the “promotion or marketing” of a transaction (if relevant) contemplated in these materials. Accordingly, you should seek advice based your particular circumstances from an independent tax advisor.

This presentation contains data compilations, writings and information that are confidential and proprietary to Ankura and protected under copyright and other intellectual property laws, and may not be reproduced, distributed or otherwise transmitted by you to any other person for any purpose unless Ankura’s prior written consent has been obtained.

# Contents



<b>1. Summary</b>	<b>4</b>
<b>2. Ankura 2022 Consumer Holiday Survey</b>	<b>8</b>
<b>3. Key Consumer Metrics</b>	<b>14</b>
<b>4. U.S. Retail Sales</b>	<b>18</b>
<b>5. Broad Economic Indicators</b>	<b>23</b>
<b>6. U.S. Employment</b>	<b>29</b>
<b>7. Supply Chain</b>	<b>33</b>
<b>8. Housing</b>	<b>37</b>
<b>9. About Ankura</b>	<b>41</b>
<b>10. Ankura Performance Improvement</b>	<b>44</b>

---

# Summary

# Executive Summary



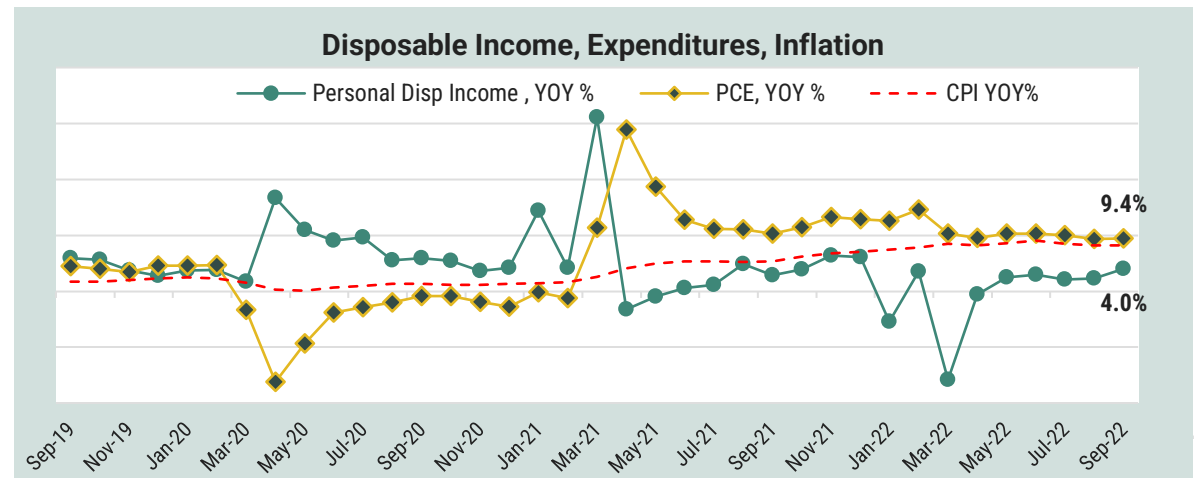
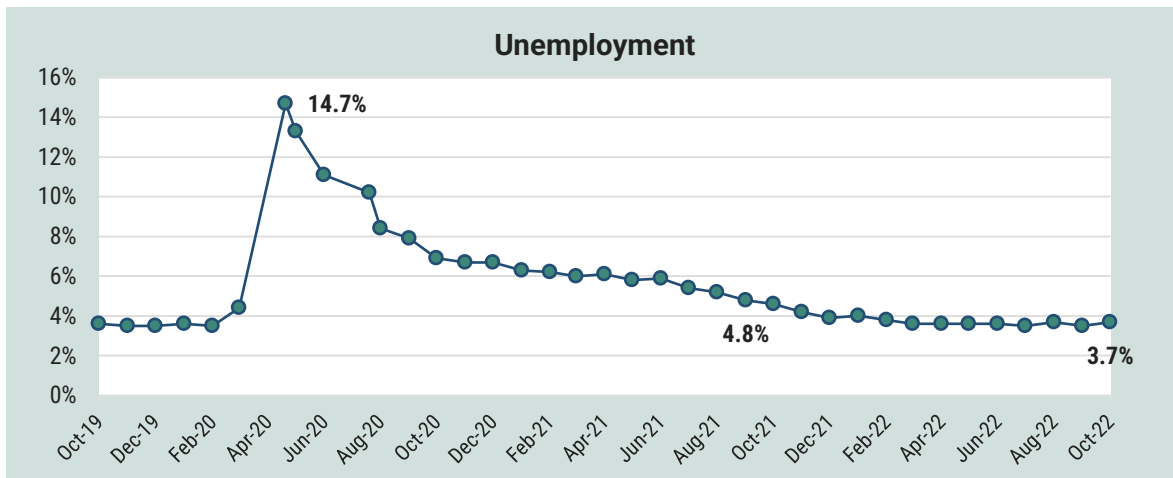
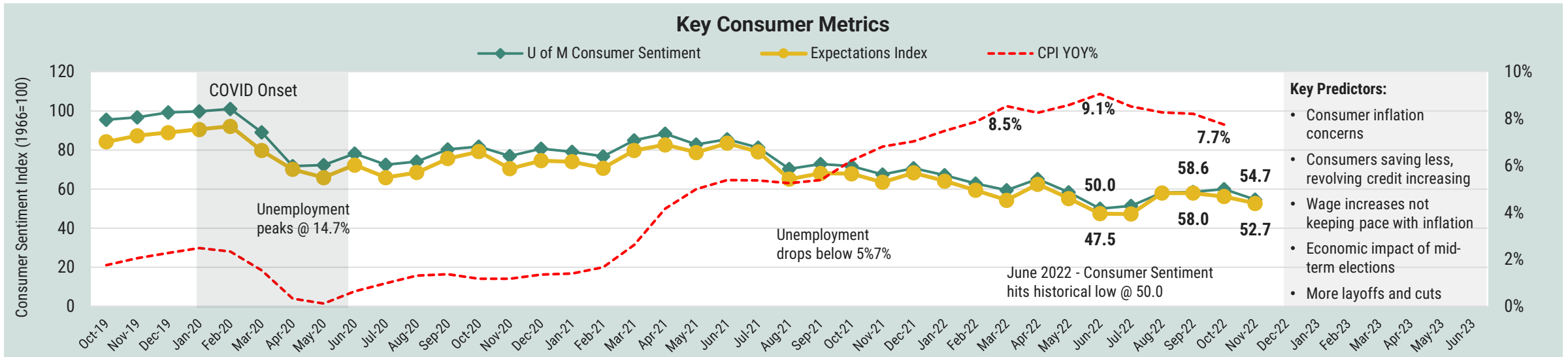
- **Ankura Holiday Survey Results**
  - U.S. consumers are anxious about the economy – 59% say they feel not good or bad about the U.S. economy
  - 68% feel the U.S. economy has gotten worse over the last 12 months
  - Holiday spending expectations are muted – 24% said they will spend more, 26% will spend less, and 50% expect to spend the same
  - Online shopping will continue to drive retail success – 33% of shoppers plan to shop online more than last year, with just 10% saying they will go online less
- **Consumer Sentiment** fell nearly 9% in November; all components of the index fell in the preliminary November reading; consumers are clearly concerned
- **Personal savings** is down to 3.1% through September, and **revolving credit** debt rose 15% vs. 2021
- **Consumer Price Index** increased 7.7%, with Core CPI increasing 6.3%; transportation, fuel, and food at home (groceries) continue to drive the overall index
  - Retail gas prices have stabilized – the average U.S. price as of 11/14 (all Grades) was \$3.88
- **Retail sales** (excl. autos/parts/gas stations) **increased 8.0%** in October, exceeding CORE CPI of 6.3%; MTM sales were up .9% over September totals, exceeding the monthly inflation index of .4% but due in large part to inflation pressure on consumer essentials – Food at Home index increased 12.4% YOY
- **Q3 GDP** increased 2.6 percent; the increase over Q2 was attributed to increases in exports and consumer spending that were partly offset by a decrease in housing investment
- **30-year prime** rose to 7.1% in October; housing markets continue to feel the impact of rising mortgage rates
  - Sales of new single-family houses in September 2022 were down 17.6% vs. 2021; single family housing starts decreased 17.3% in September
- **Supply chain** pressures easing – general freight trucking has dropped 5.7% since the 2-year high in March and ocean freight rates are declining
- **Inventories** continue to be bloated in stores and fulfillment centers and are laced with increases in transportation – Anticipate a highly promotional selling season as retailers will be forced to drive traffic and generate liquidity
- **In Summary** – Sales growth has not outpaced inflation. Consumer demand is down and is likely to continue to trend down thru Q4 and into 2023 due to higher costs and lower disposable income. We have already seen rounds of layoffs, furloughs and hiring freezes. Real growth is not expected until 2024. We are likely heading into a very challenging next 12 months, where improving operational and inventory efficiencies while improving conversion will be essential



# Consumer Economic Headwinds



Consumers are anxious about the economy, with inflation foremost among their concerns; consumer sentiment re: current and future conditions remains historically low and with the threat of a recession looming shoppers are concerned





# Select Economic Forecasts

**Economic forecasts generally call for slowed GDP growth in Q4 and through 2023; inflation forecasts vary**

## The Conference Board 11/09/2022

- Forecasting economic weakness to intensify and spread throughout the US economy with a recession to begin around the end of 2022
- GDP – forecasting 2022 Real GDP growth to finish at 1.8 percent year-over-year, with 2023 growth slowing to zero percent year-over-year
- Upgraded forecast for Q4 2022 GDP from -0.8 percent to -0.5 percent
- Expecting recession to extend into Q2 2023 and the rebound in H2 2023 to be less pronounced
- Anticipates the jobless rate may peak at 4.5 percent
- **Expects recession to last three quarters with inflation to remain above the Fed's 2-percent target until at least 2024**

<https://www.conference-board.org/research/us-forecast/us-forecast>

## Federal Reserve Bank of Philadelphia 11/14/2022

### Fourth Quarter 2022 Survey of Professional Forecasters

- Forecasters predict the U.S. economy will expand at an annual rate of 1.0 percent Q4
- Expect real GDP to increase 0.7 percent in 2023 and 1.8 percent in 2024. These annual projections are lower than the estimates in the previous survey (3-months ago)
- Projecting the unemployment rate will increase from 3.7 percent in 2022 to 4.2 percent in 2023 and remain little changed over the following two years
- **Forecasters expect current-quarter headline CPI inflation will average 5.4 percent at an annual rate, up from the prediction of 4.3 percent in the previous survey**

<https://www.philadelphiafed.org/surveys-and-data/real-time-data-research/spf-q4-2022>

## Morningstar 10/26/2022

- Expect GDP growth to trough in 2023 and accelerate in 2024; reduced 2023 and 2024 GDP forecasts owing to expectations of Fed interest rate hikes
- Expecting GDP growth to accelerate in 2024 as the Fed starts cutting rates in order to stimulate demand
- Forecasting reduced inflation in 2023 and 2024 rate below Fed's 2% target; resolution of supply chain issues will support lower inflation pressure
- Labor markets to loosen over the next year as labor demand falls; employers to slow hiring to match economic slowdown
- **Recession pressures will peak in 2023, when the effect of Fed tightening crests**

<https://www.morningstar.com/articles/1120369/a-harder-landing-for-the-us-economy-now-looks-more-likely>

ankura.com

---

# Ankura 2022 Consumer Holiday Survey





# Ankura 2022 Holiday Outlook

Consumer sentiment has risen slightly in the last few months, though it remains at historically low levels. The Consumer Sentiment index hit a historic low of 50.0 in June 2022 and after rising in subsequent months, the early November sentiment index shows steep declines (see slide 15)<sup>1</sup>. Consumer sentiment has not been this downbeat since November 2008 when it registered 55.3.

While the rate of inflation has slowed somewhat of late (slides 26, 27), U.S. savings rate is down, revolving credit levels are up, and shoppers are challenged to manage the cost of basic goods, housing costs, and fuel prices.

Against this backdrop, Ankura's Performance Improvement team surveyed U.S. consumers to understand how they are feeling about the U.S. economy and their personal financial situation and how they plan to shop and – critically – spend for the holidays in 2022<sup>2</sup>. Based on the survey feedback, holiday sales could show slight improvement compared to 2021, but retailers will have to work strategically to earn shoppers' patronage during what promises to be a competitive battle for their share of the wallet.

Following are some of the key findings of the survey – for a full report on the results please visit us at:

[Holiday 2022 – What Retailers Can Expect from Inflation-Weary Shoppers](#)

1. The Surveys of Consumers, conducted by the Survey Research Center at the University of Michigan <https://data.sca.isr.umich.edu/survey-info.php>)

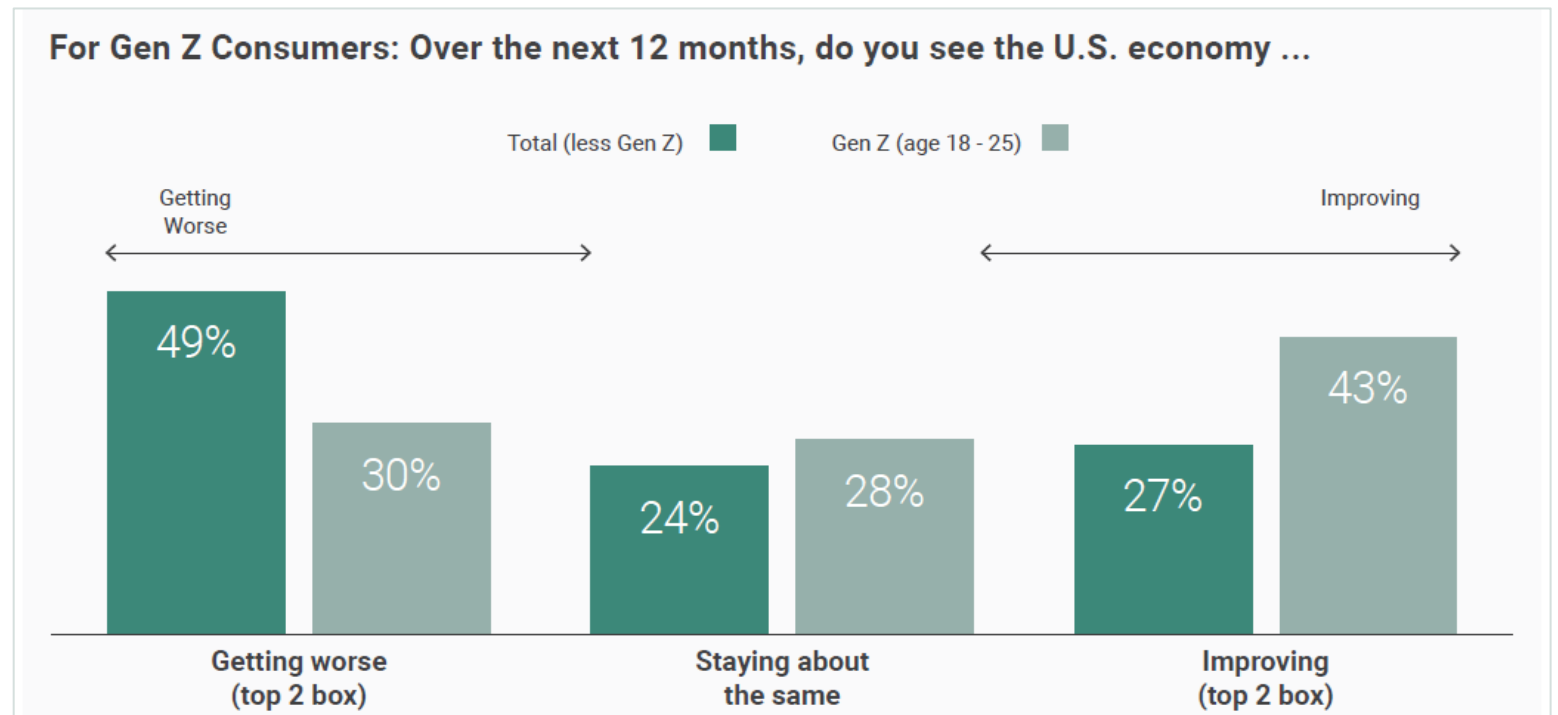
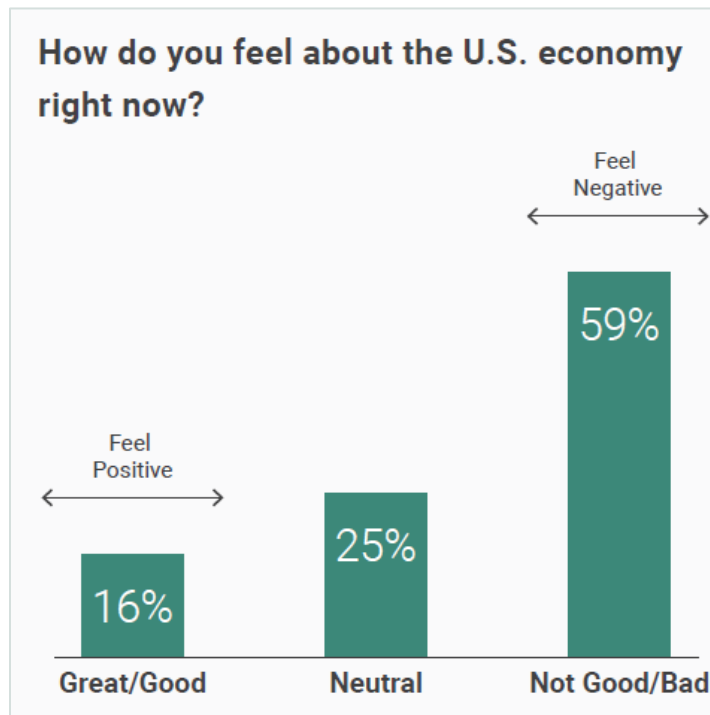
2. Ankura consumer survey, U.S. sample of 1,042 respondents aged eighteen and above (October 3, 2022)



# Ankura 2022 Holiday Outlook – Economic Sentiment

## ECONOMIC SENTIMENT

U.S. consumers are anxious about the economy, and our survey confirmed the depth of their concerns. Just 16% of respondents said they feel good or great about the U.S. economy right now, with 59% saying they feel not good or bad. Further, **68% said they felt the U.S. economy had gotten worse over the last 12 months**. The survey results show a guarded to negative consumer outlook for the U.S. economy. Overall, just 30% expect to see improvement in the U.S. economy over the next 12 months. Interestingly among Gen Z consumers (age 18-25), the 12-month outlook is slightly more optimistic. Forty-three percent of Gen Z respondents see the U.S. economy improving, compared to just 27% for the rest of the population.



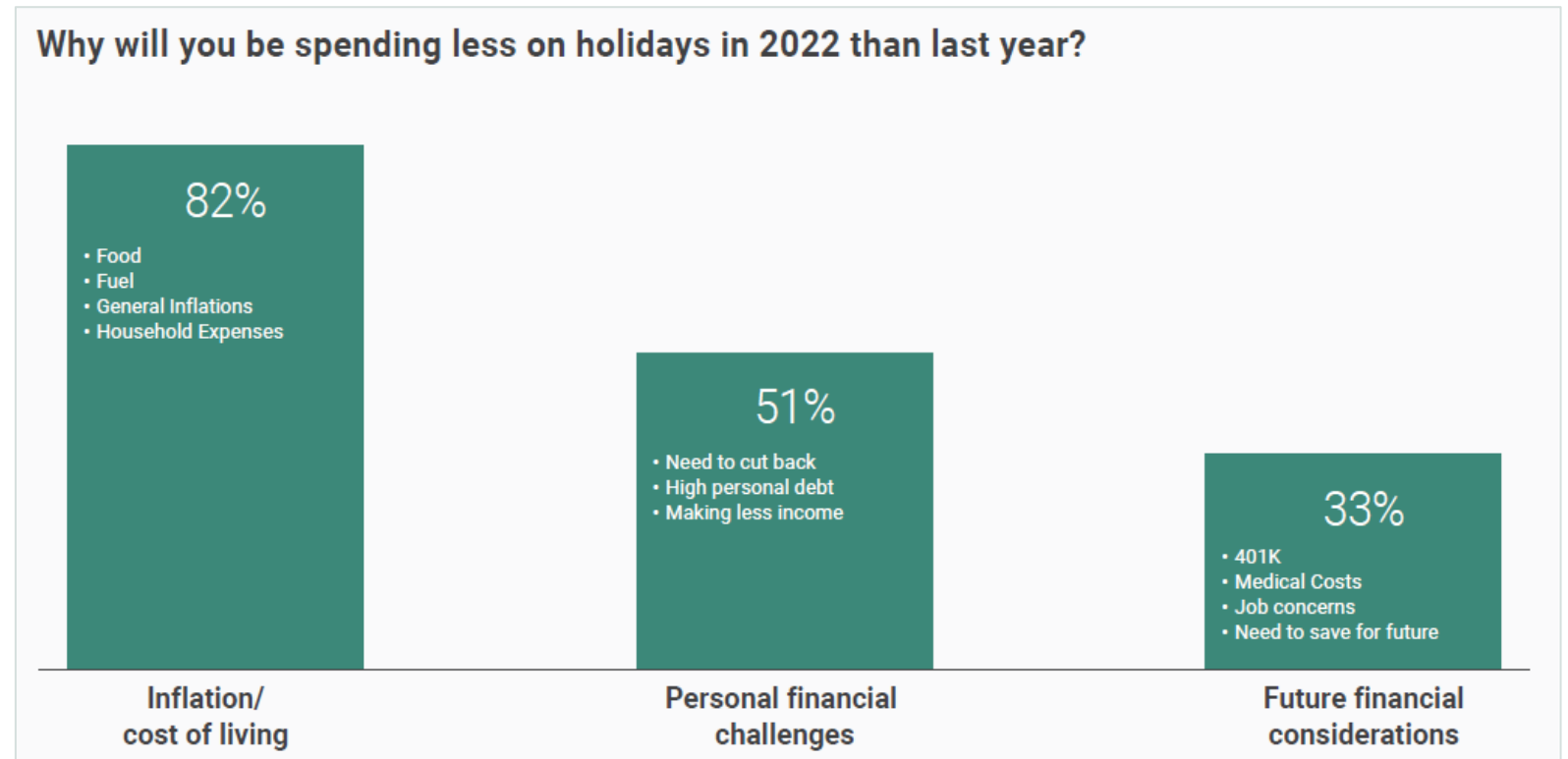


# Ankura 2022 Holiday Outlook – Shopping Expectations

## HOLIDAY SHOPPING

When asked about their expected spending for the holiday season, shoppers indicated that overall spending would remain on par with 2021. Twenty-four percent said they will spend more, **26% will spend less, and 50% expect to spend the same.**

Top concerns for those planning to spend less this year centered on **inflation** pressures – from inflation in general to food and fuel prices specifically.



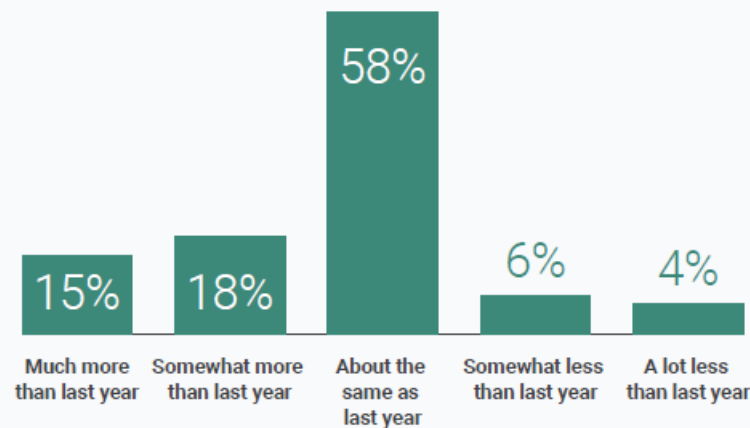


# Ankura 2022 Holiday Outlook – Online Shopping

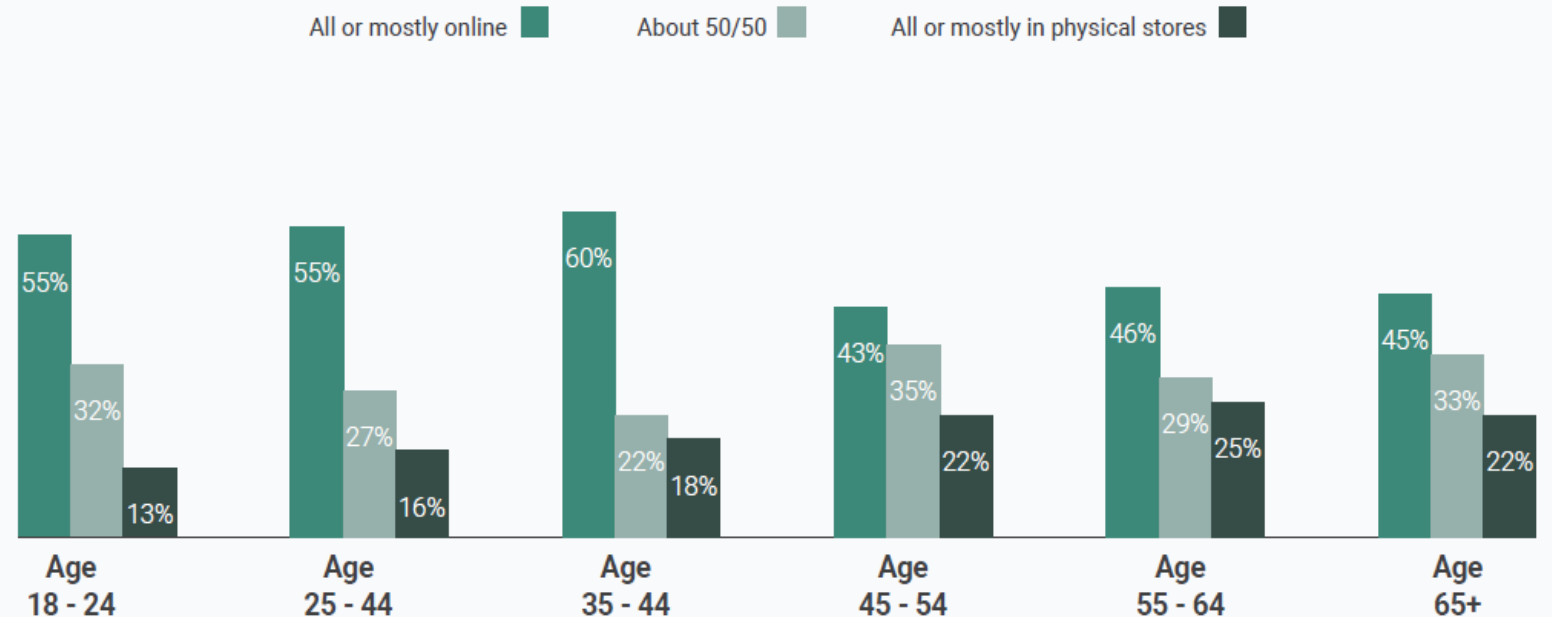
## SHOPPING ONLINE VS. IN-STORE

According to our survey, the 2022 holiday season should see an uptick in online sales as a percentage of total holiday purchases. When asked about plans to shop online and in-store, thirty-three percent said they plan to shop online more than last year, with just 10% saying they will go online less in 2022. Not surprisingly, younger shoppers are more apt to do more of their shopping online than older shoppers, who prefer physical stores and malls more than younger age groups.

Will you be shopping ONLINE for holiday 2022 gifts and other related items...



When you shop for holiday gifts this year, will you shop...





# Ankura 2022 Holiday Outlook – Retailer Opportunities

## WHAT RETAILERS CAN DO TO MITIGATE RISK AND DRIVE A SUCCESSFUL HOLIDAY SEASON



### MARKETING

Understand what drives your audience. Young generations differ from older shoppers on key decision drivers and preferences.



### INVENTORY

A key challenge but retailers must have inventory in the stores early, while still being able to support online sales through the holidays.



### PRICE/PROMOTIONS

Right product, right price, right place, right time.... more important than ever given early pre- season shopping trends, plus the focus on price and value.



### GIFT CARDS

Gift cards look to be an increased portion of 2022 holiday spending. Make sure gift cards are presented both online and reinforced with store associates.



### RENEWED FOCUS ON STORES

The in-store experience, touching the product, finding the right item, and getting “live support,” are critical in driving conversion on what should be higher traffic this year.



### SHIPPING

Given consumers’ price/value orientation this year, free shipping is an attractive consumer offer and sales lever for retailers, but they must factor in costs to preserve margin.

---

# Key Consumer Metrics

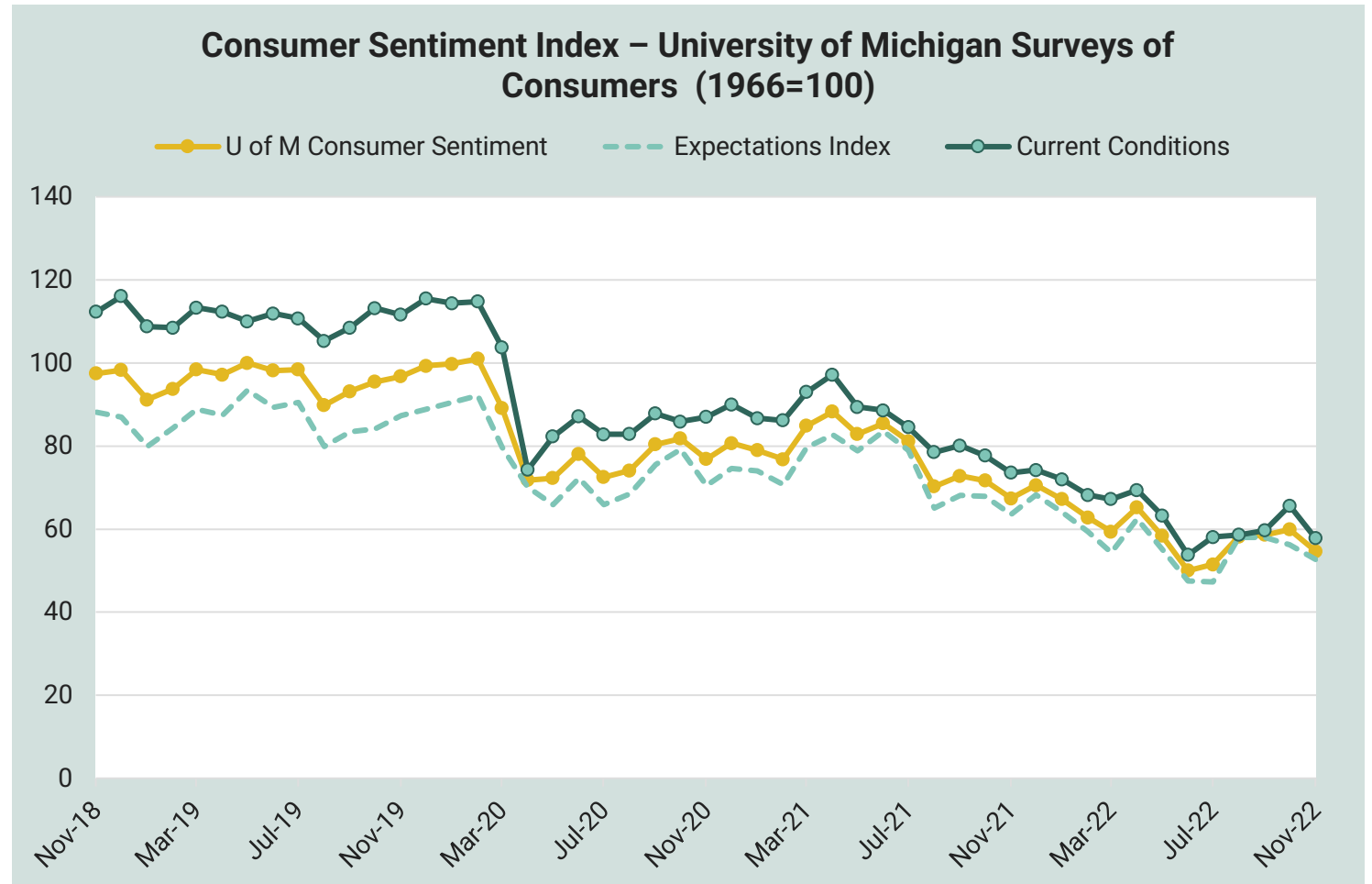




# Consumer Sentiment Index

**Consumer Sentiment fell nearly 9% in November; all components of the index fell in the preliminary November reading; the conclusion of the midterms may cause an upward bump in the final reading, but consumers are clearly very concerned**

	Consumer Sentiment	Expectations Index	Current Conditions
2-Year High	88.3	83.5	97.2
2-Year Avg.	69.4	65.7	75.2
2-Year Low	50.0	47.3	53.8
Current	54.7	52.7	57.8
Previous Month	59.9	56.2	65.6
% Change Prev. Month	-8.7%	-6.2%	-11.9%

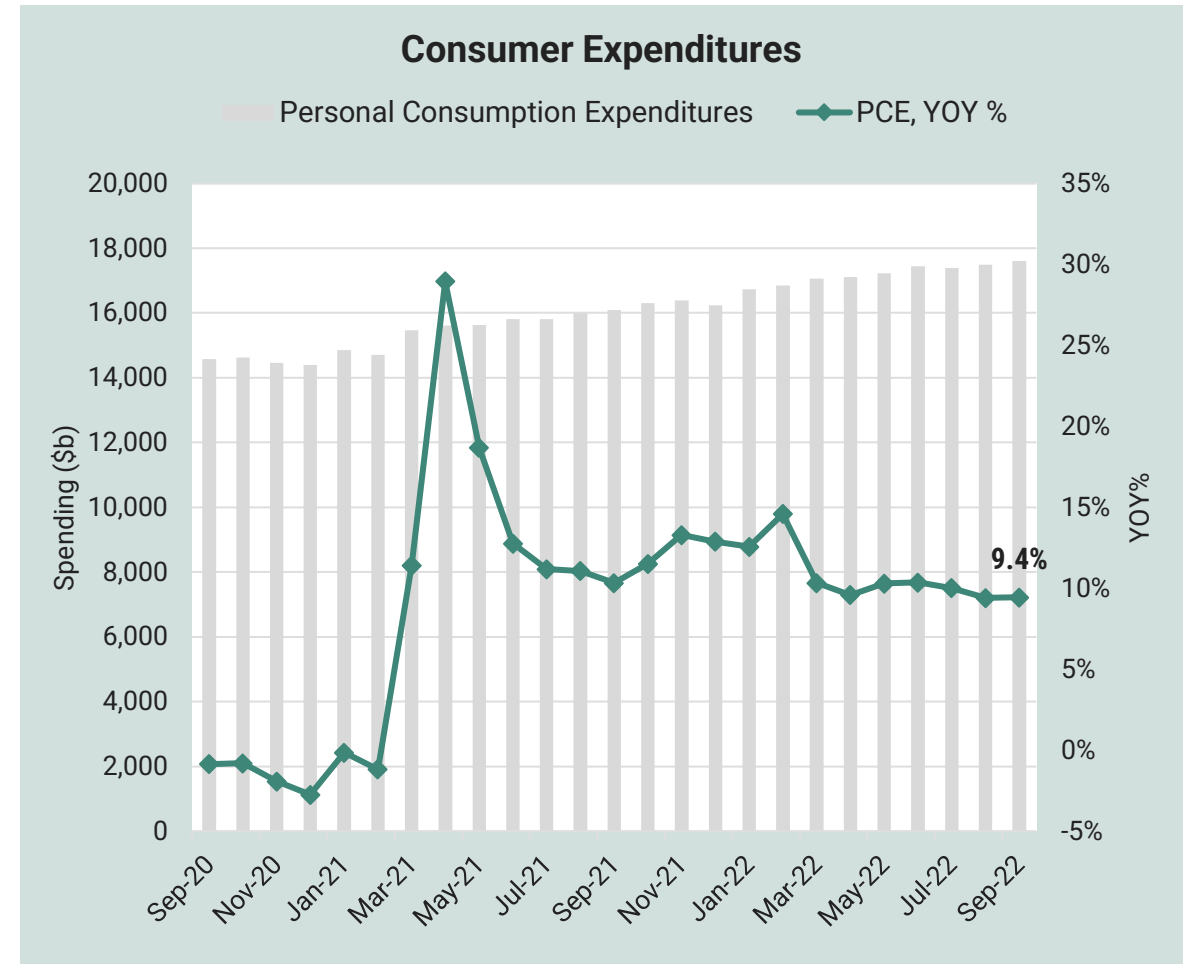
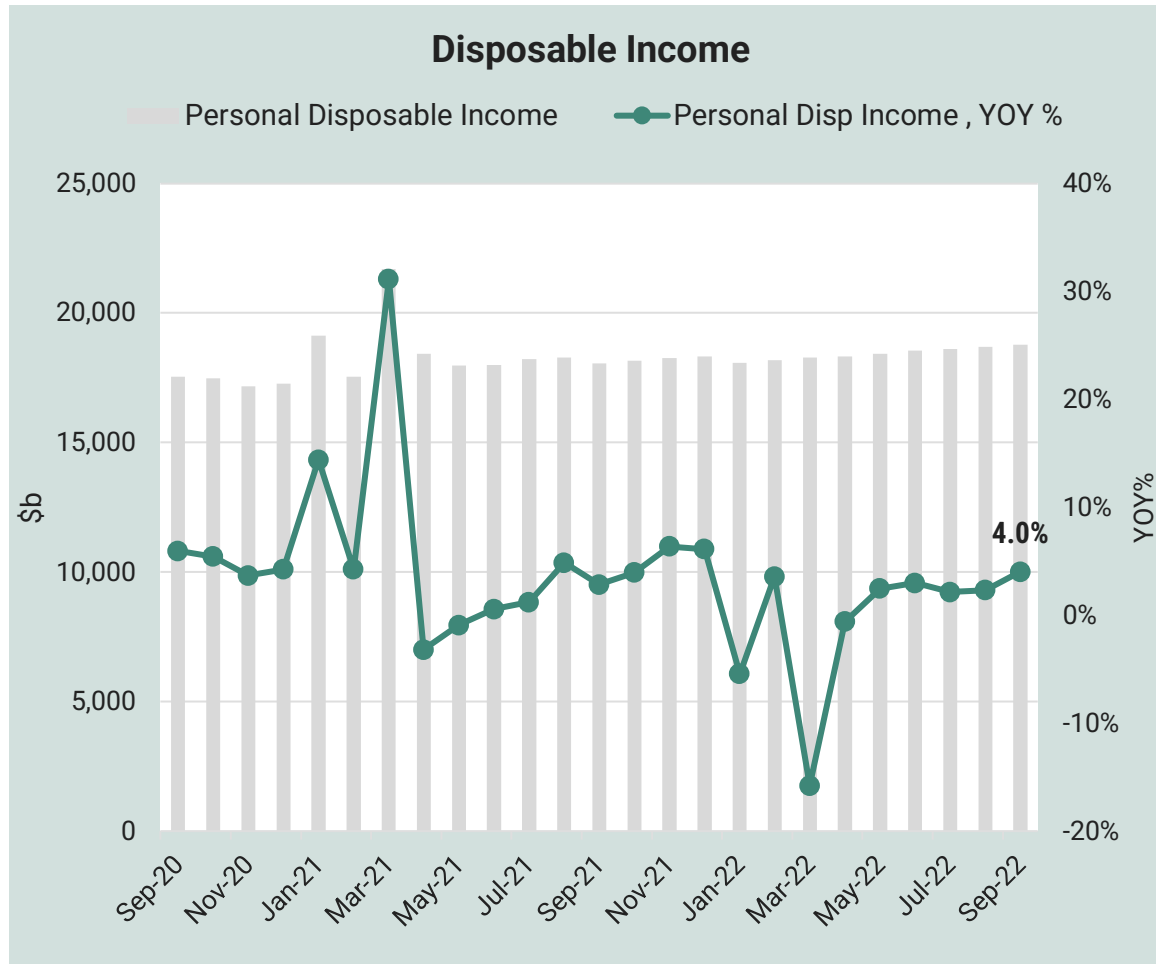


Source: The Surveys of Consumers are conducted by the Survey Research Center at the University of Michigan. (<https://data.sca.isr.umich.edu/survey-info.php>)



# Consumer Income and Spending

**Personal disposable income rising well below 7.7% CPI increase; personal expenditures increased at a much higher rate (9.4%), driven by inflation impact on retail prices and may cause continued consumer focus on essentials and price / value**

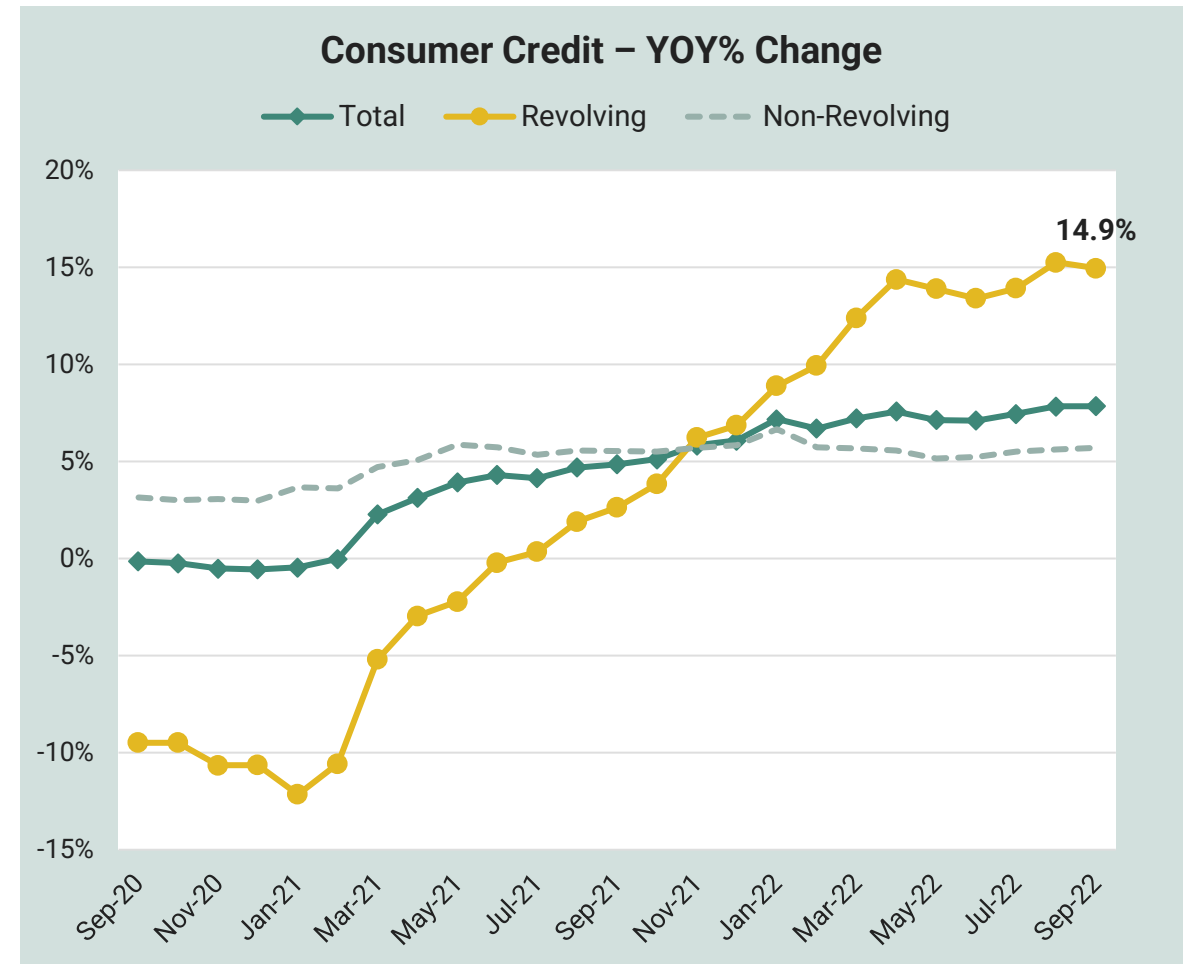
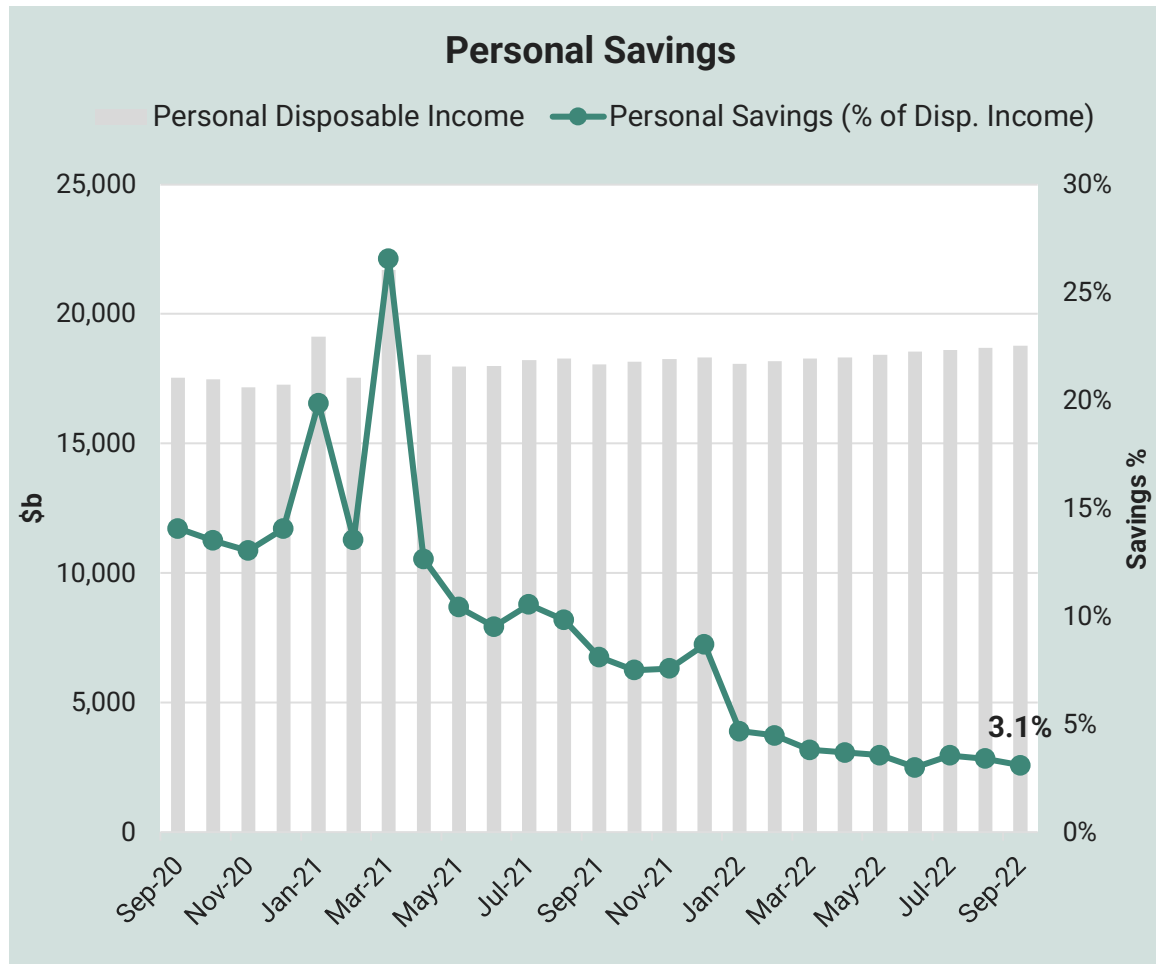


Source: U.S. Bureau of Economic Analysis



# Personal Savings & Consumer Credit

Personal savings is down to 3.1% through September while revolving credit debt is up ~15% vs. 2021 – Not a good combination



Source: U.S. Bureau of Economic Analysis

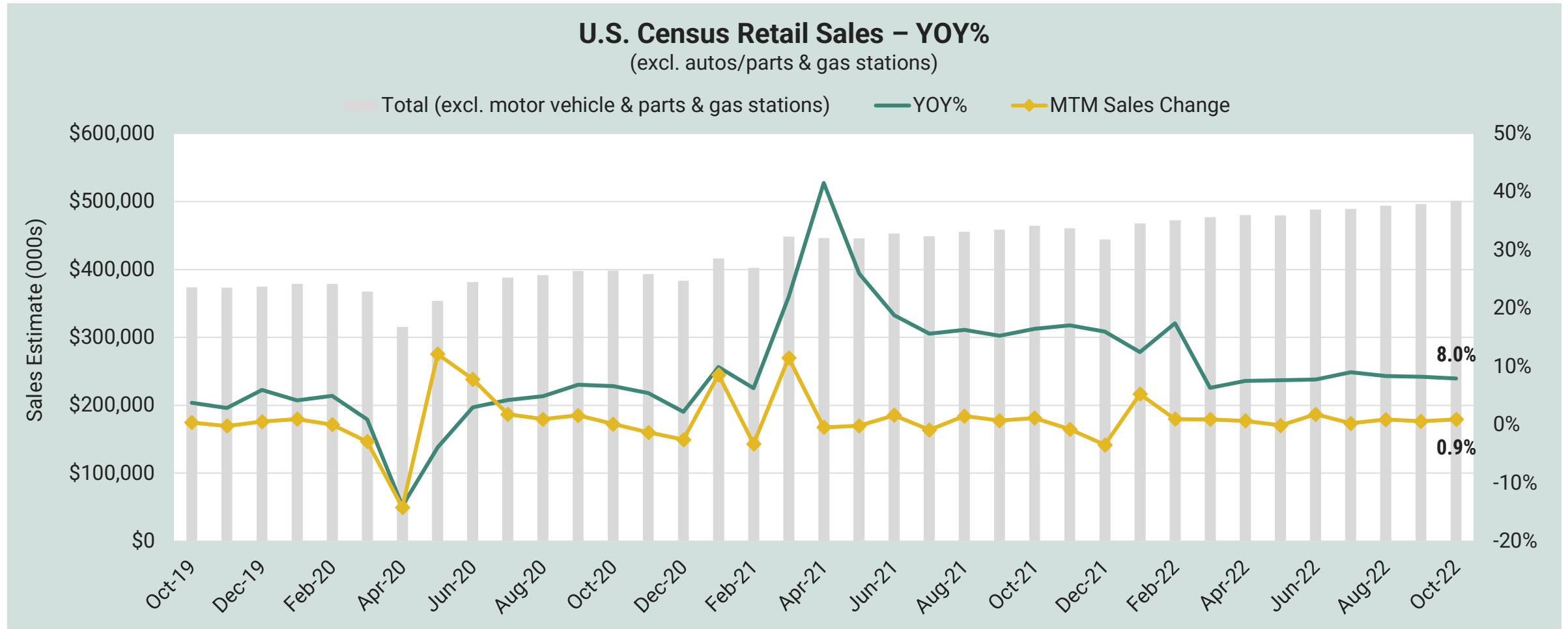
---

# U.S. Retail Sales

# U.S. Retail Sales



Retail sales (excl. autos/parts/gas stations) increased 8.0% in October; sales were up .9% over previous month totals, exceeding the monthly inflation index of .4% - Mostly driven by inflation, not real growth

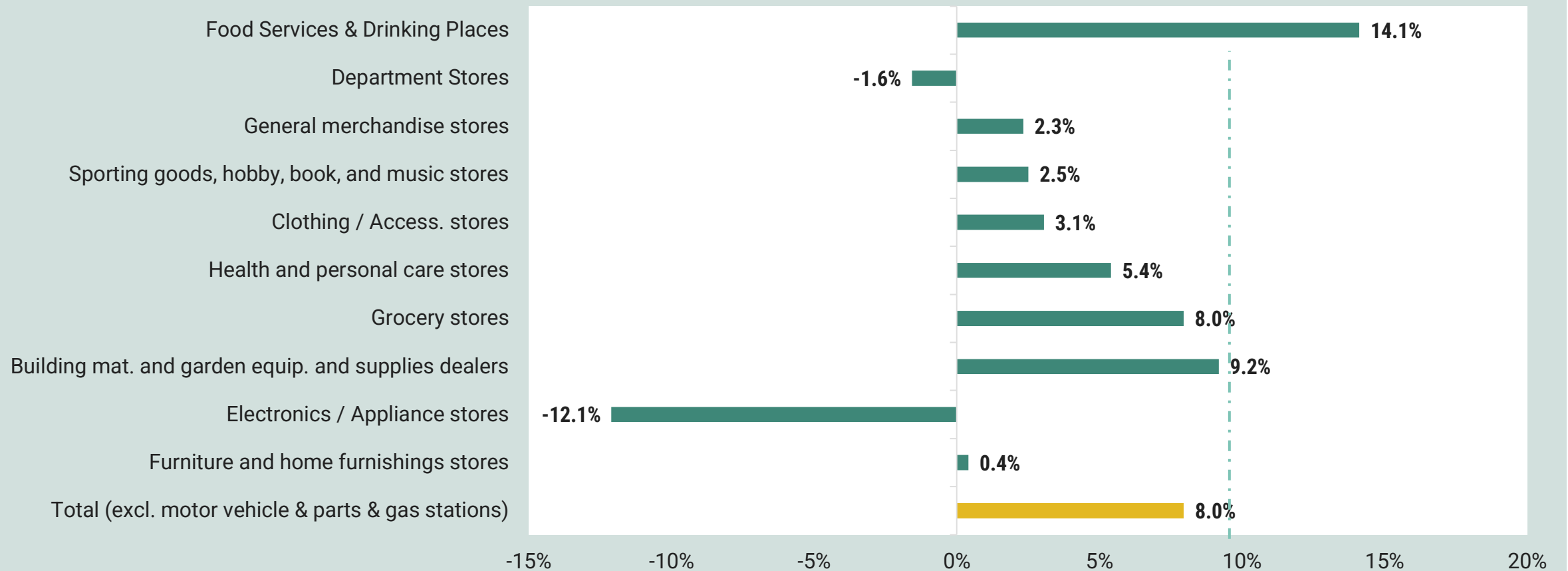




# U.S. Retail Sales by Retail Category

**Food Services / Dining increased 14.1% and Home Improvement stores rose 9.2% over 2021; inflated prices continue to drive grocery sales increases and consumer electronics dropped again in October - down over 12%**

## YOY Sales Change by Retail Category

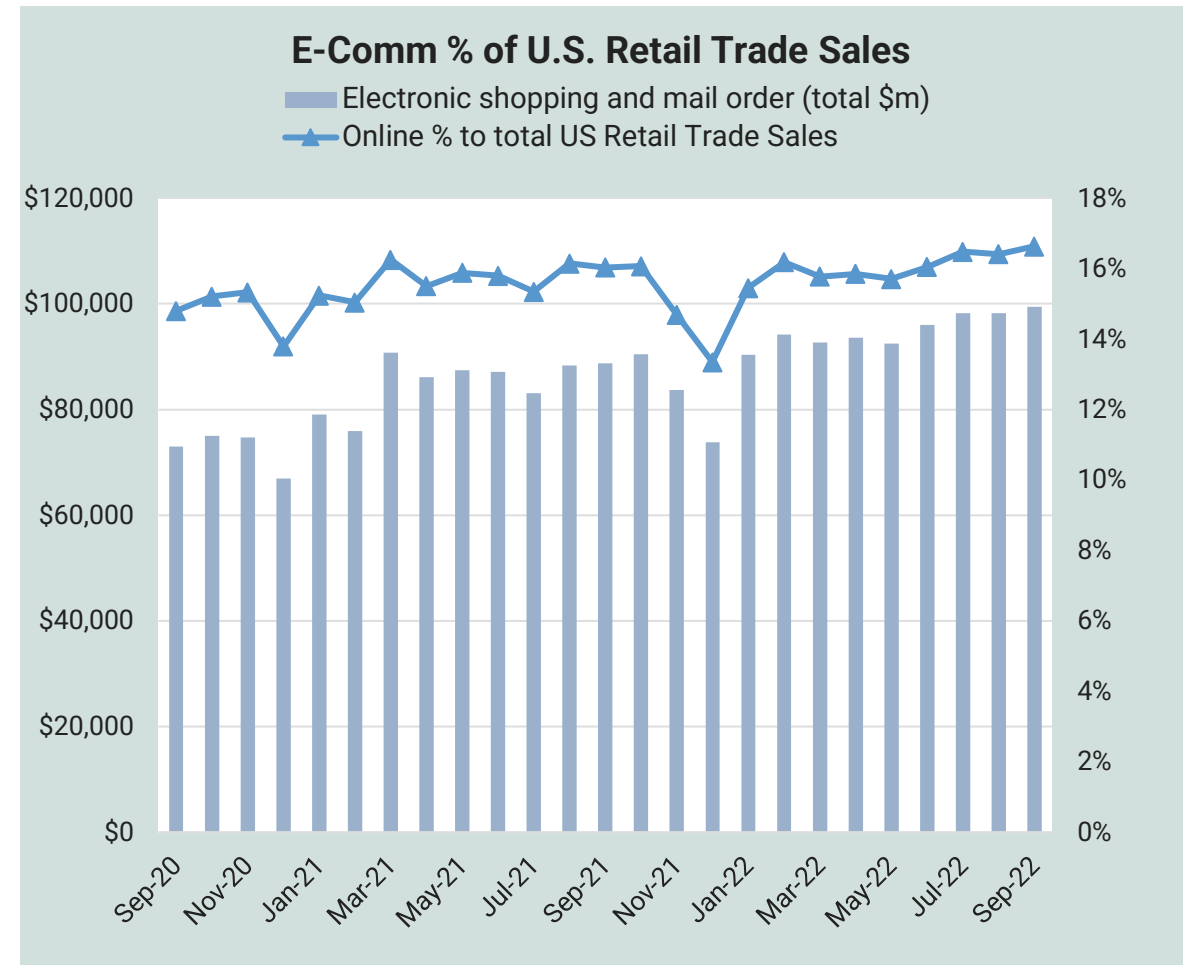
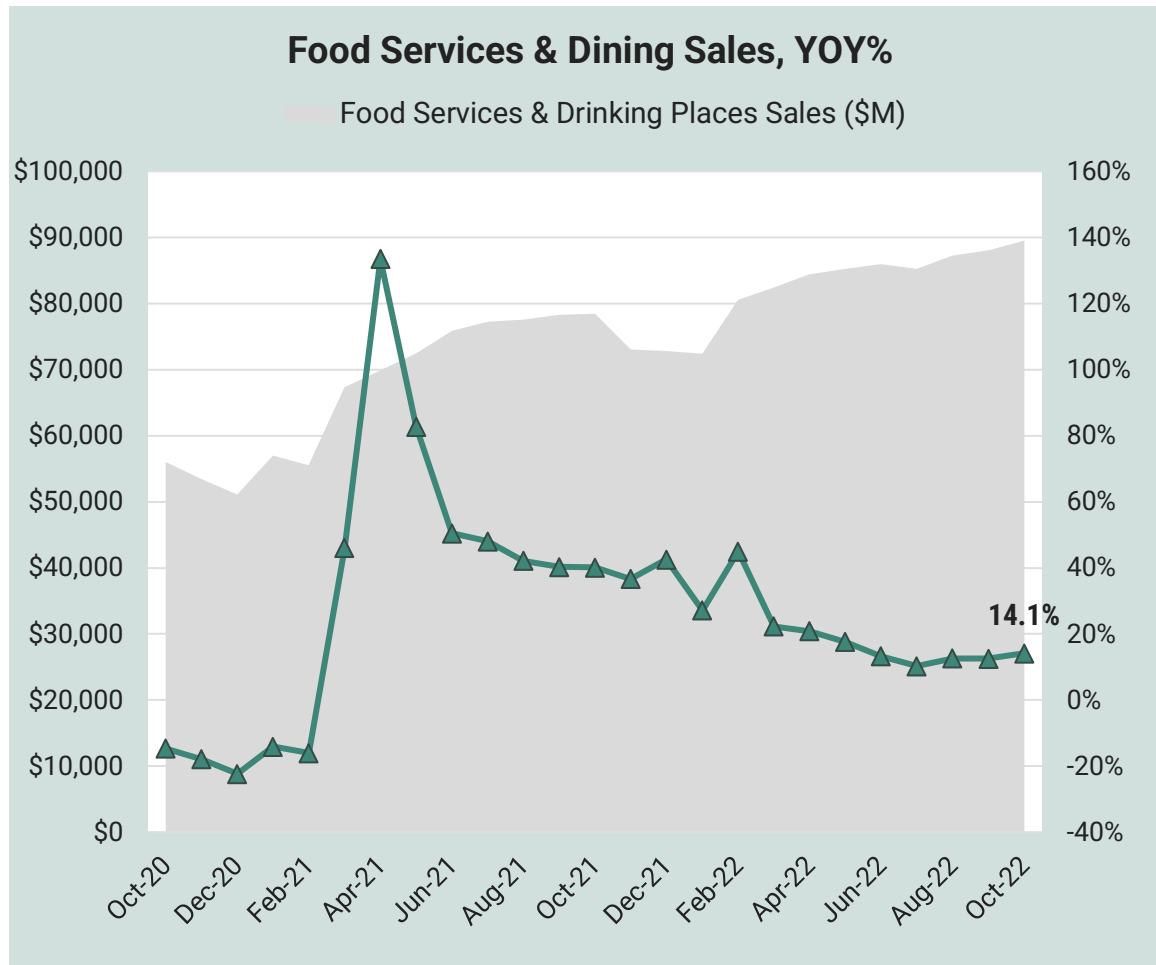






# U.S. Retail Sales – Food Services & Dining and E-Commerce

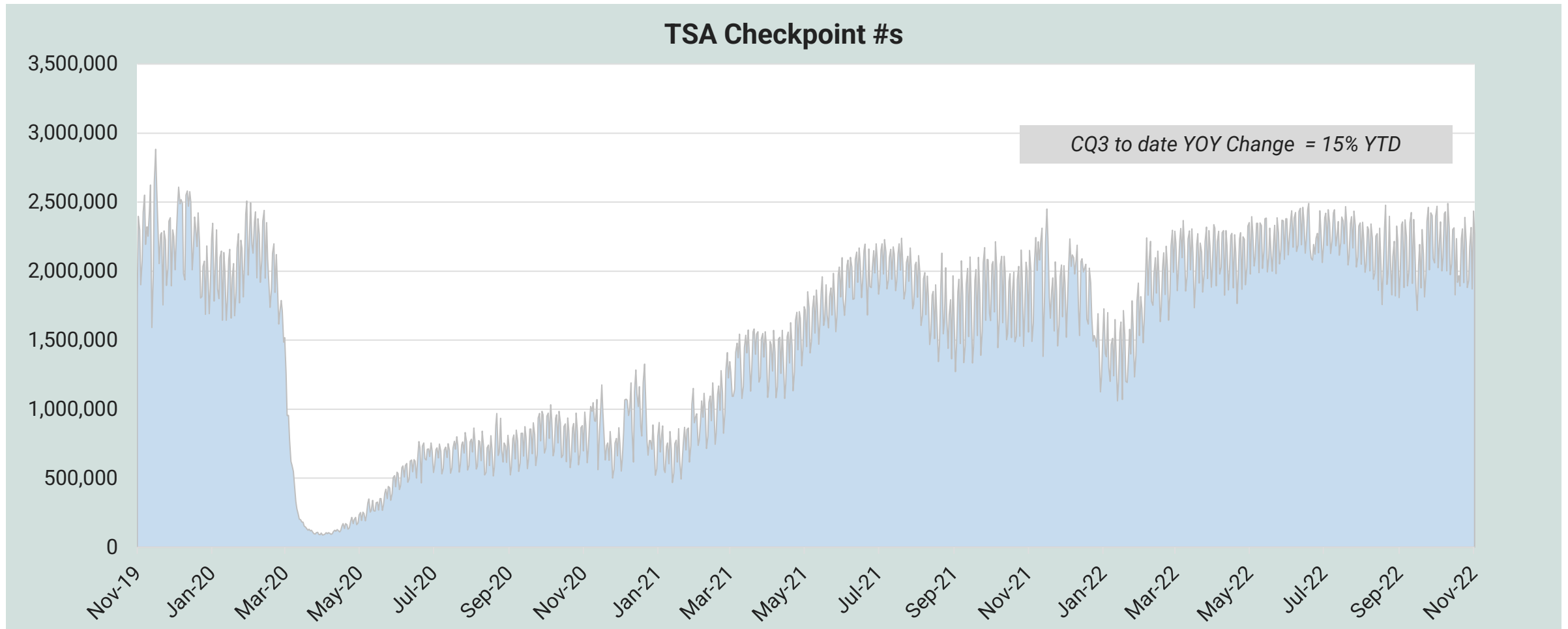
**Food Services/Dining increased 14.1% vs. LY; E-comm % of Retail Trade Sales remained above 16% through September**





# TSA Checkpoint Travel Numbers

**U.S. travelers are still flying at a rate above 2021; calendar quarter to date (10/1 – 11/14) is up 15%**



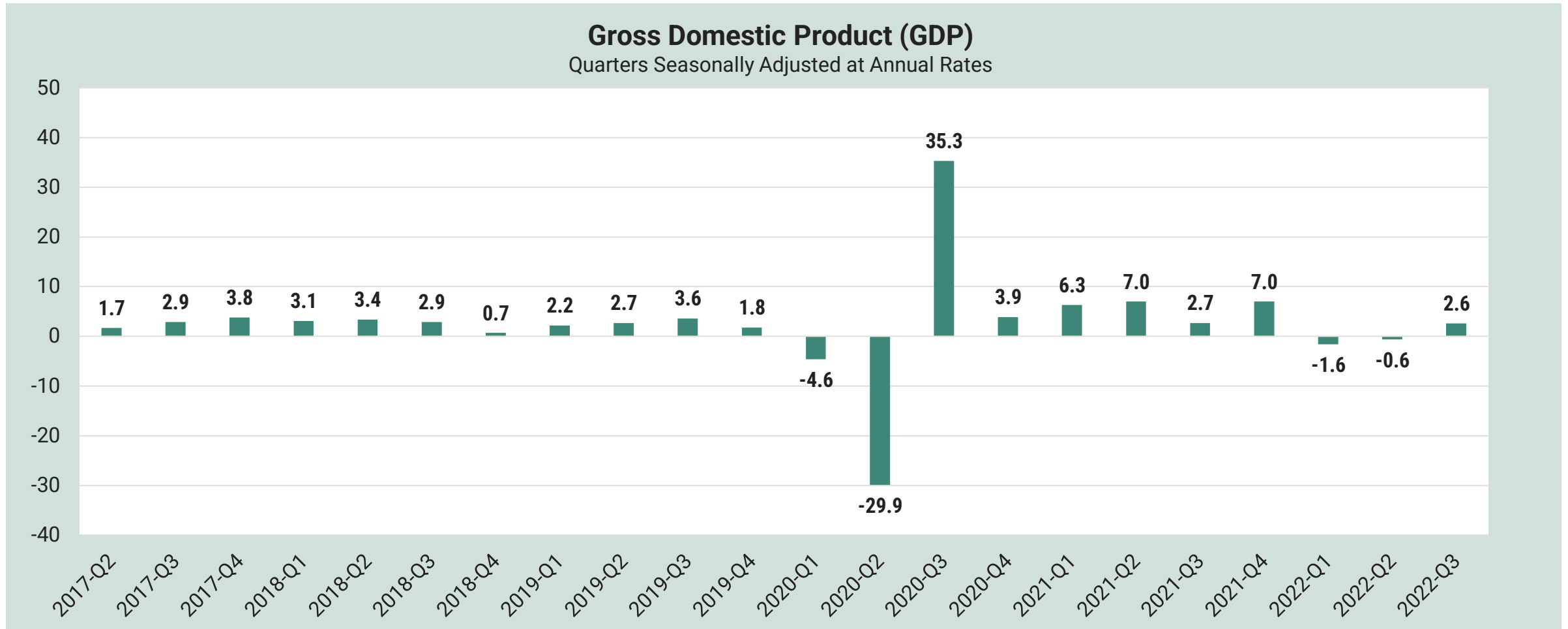
---

# Broad Economic Indicators



# Gross Domestic Product

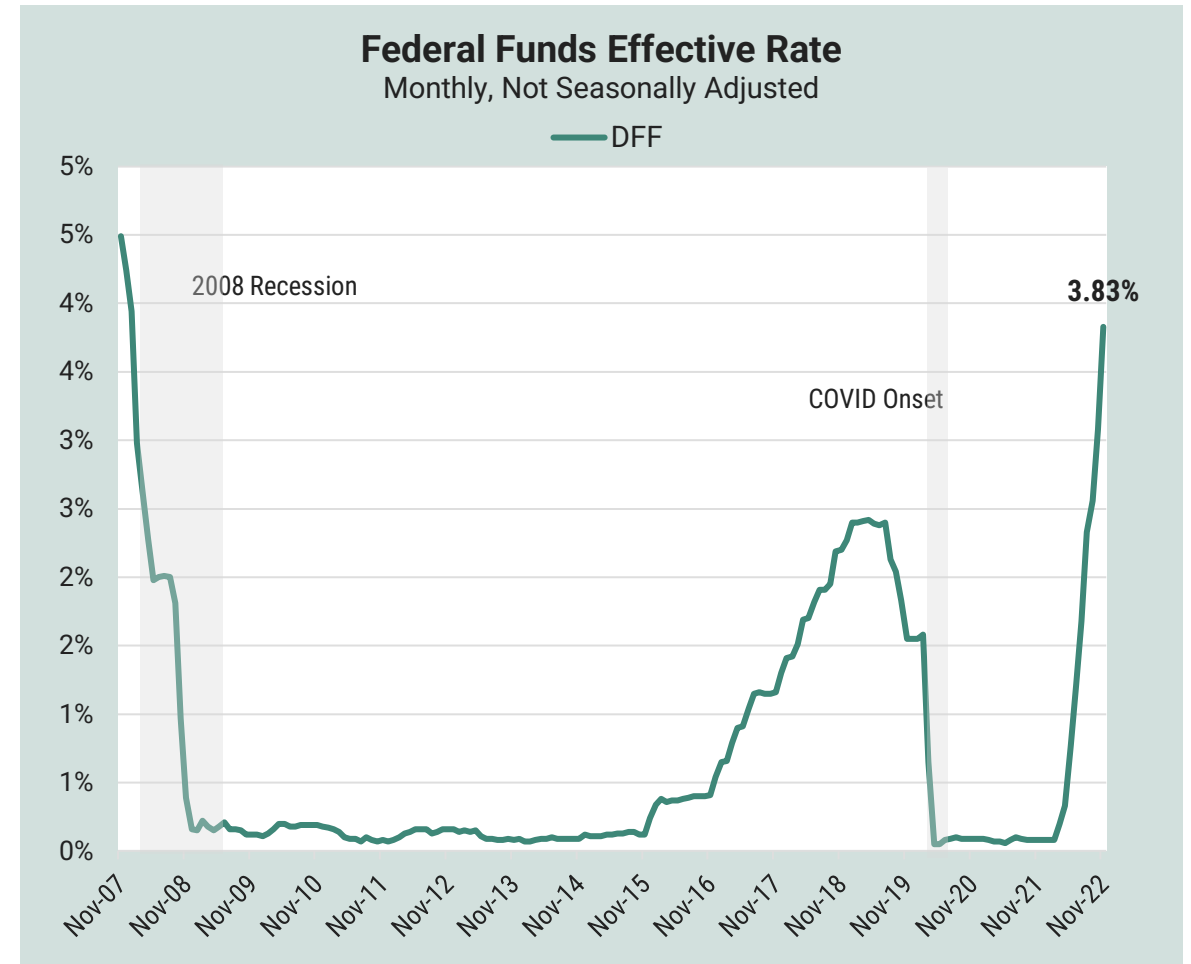
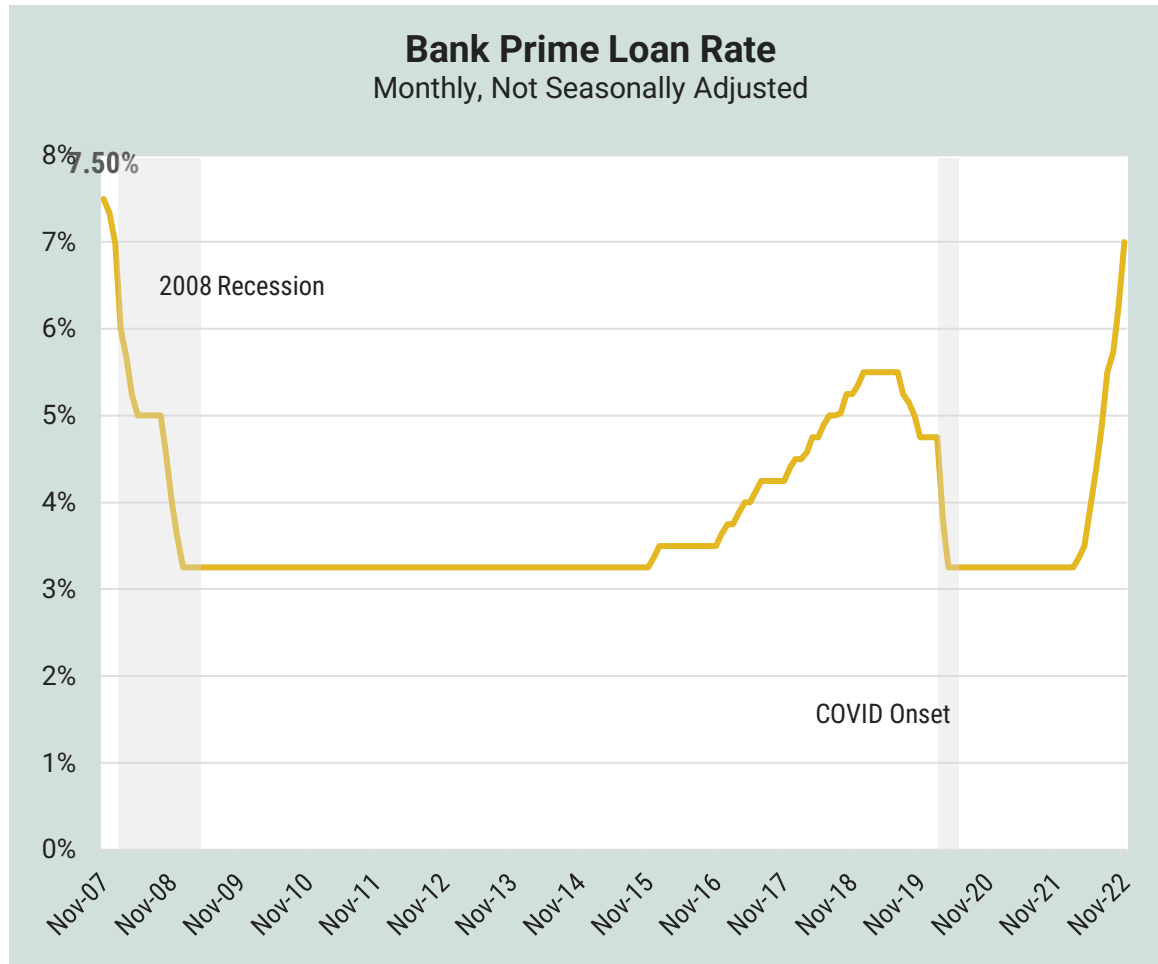
**Q3 GDP increased 2.6 percent; the increase over Q2 was attributed to increases in exports and consumer spending that were partly offset by a decrease in housing investment**





# Federal Reserve – Interest Rates

**Bank Prime Loan Rate rose to 7%; Federal Funds at 3.83% through mid-November**



Source: Federal Reserve Economic Data, Federal Reserve Bank of St. Louis

# Consumer Price Index



**The Consumer Price Index increased 7.7% in October Core CPI increased 6.3%; transportation, fuel, and food at home (groceries) continue to drive the overall index**

- *Food at Home +12.4%*
- *Motor Fuel +18.1%*
- *Transportation +11.2%*

	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
<b>Total CPI</b>	<b>8.6%</b>	<b>9.1%</b>	<b>8.5%</b>	<b>8.3%</b>	<b>8.2%</b>	<b>7.7%</b>
<b>All Items Less Food &amp; Energy (Core CPI)</b>	<b>6.0%</b>	<b>5.9%</b>	<b>5.9%</b>	<b>6.3%</b>	<b>6.6%</b>	<b>6.3%</b>
Food at Home	11.9%	12.2%	13.1%	13.5%	13.0%	12.4%
Food Away From Home	7.4%	7.7%	7.6%	8.0%	8.5%	8.6%
Motor Fuel	49.1%	60.2%	44.5%	26.2%	18.8%	18.1%
Apparel	5.0%	5.2%	5.1%	5.1%	5.5%	4.1%
Housing	6.9%	7.3%	7.4%	7.8%	8.0%	7.9%
Education	2.5%	2.7%	2.6%	3.1%	3.1%	3.0%
Medical Care	3.8%	4.5%	4.8%	5.4%	6.0%	5.0%
Transportation	19.4%	19.7%	16.4%	13.4%	12.6%	11.2%

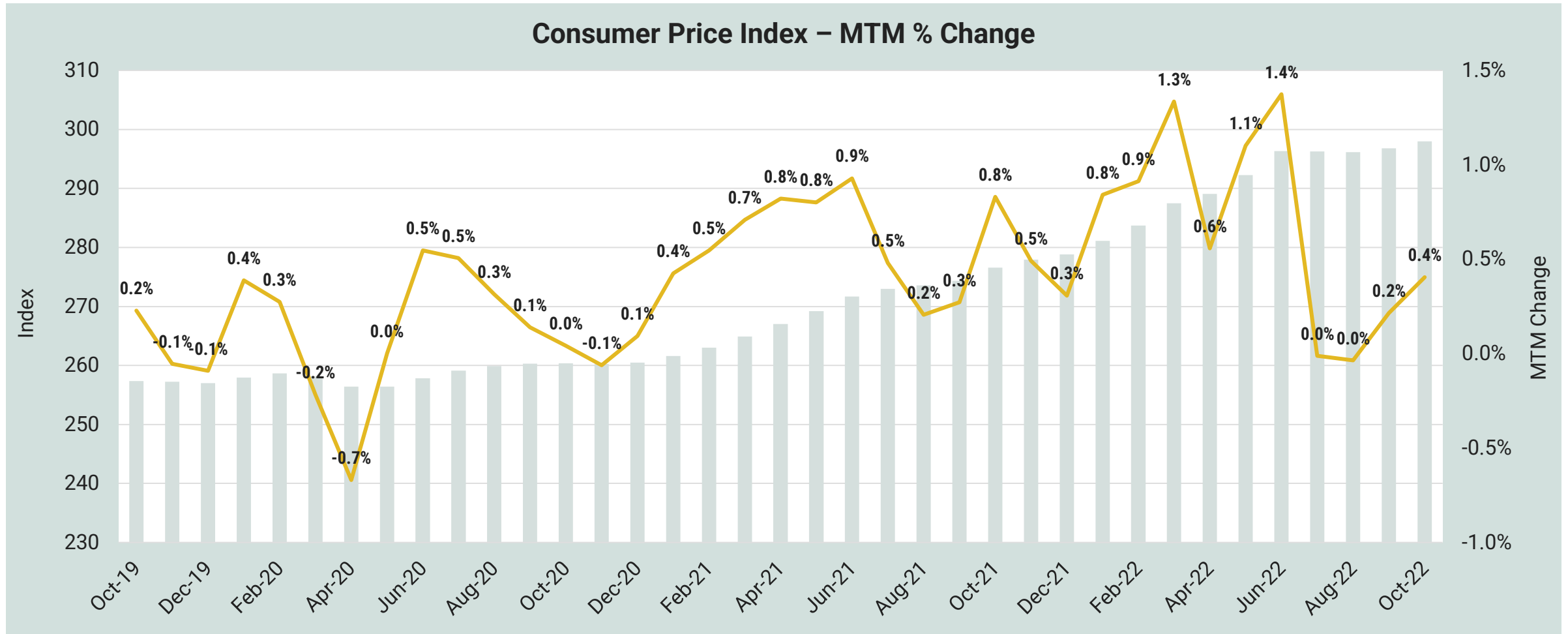
Source: U.S. Bureau of Labor Statistics





# Consumer Price Index – Month-to-Month Trends

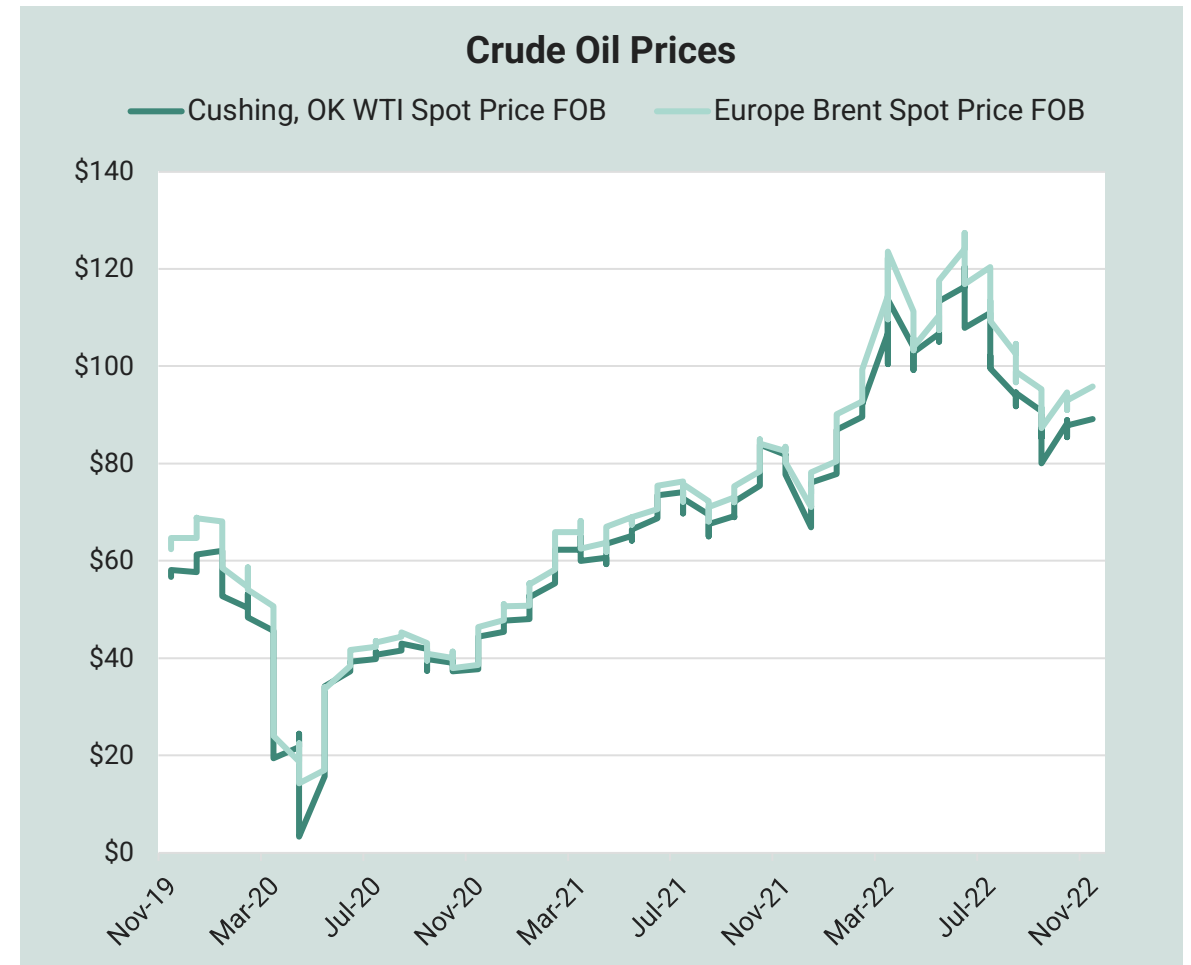
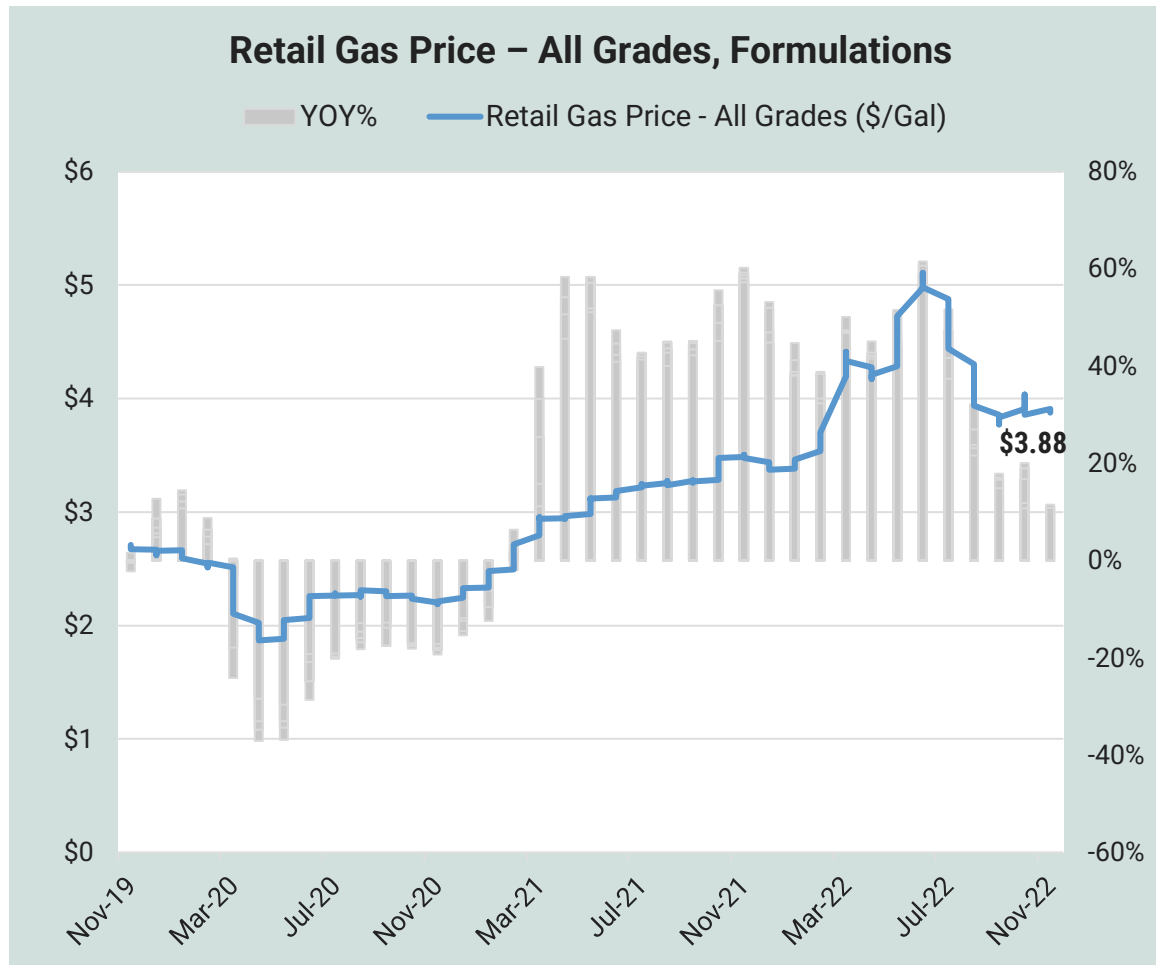
Following a slow down in August, CPI increases have started to accelerate again, reaching 0.4% in October





# Gasoline (Retail Price) and Crude Oil Prices

Retail gas prices have somewhat stabilized – the average U.S. price as of 11/14 (all Grades) was \$3.88



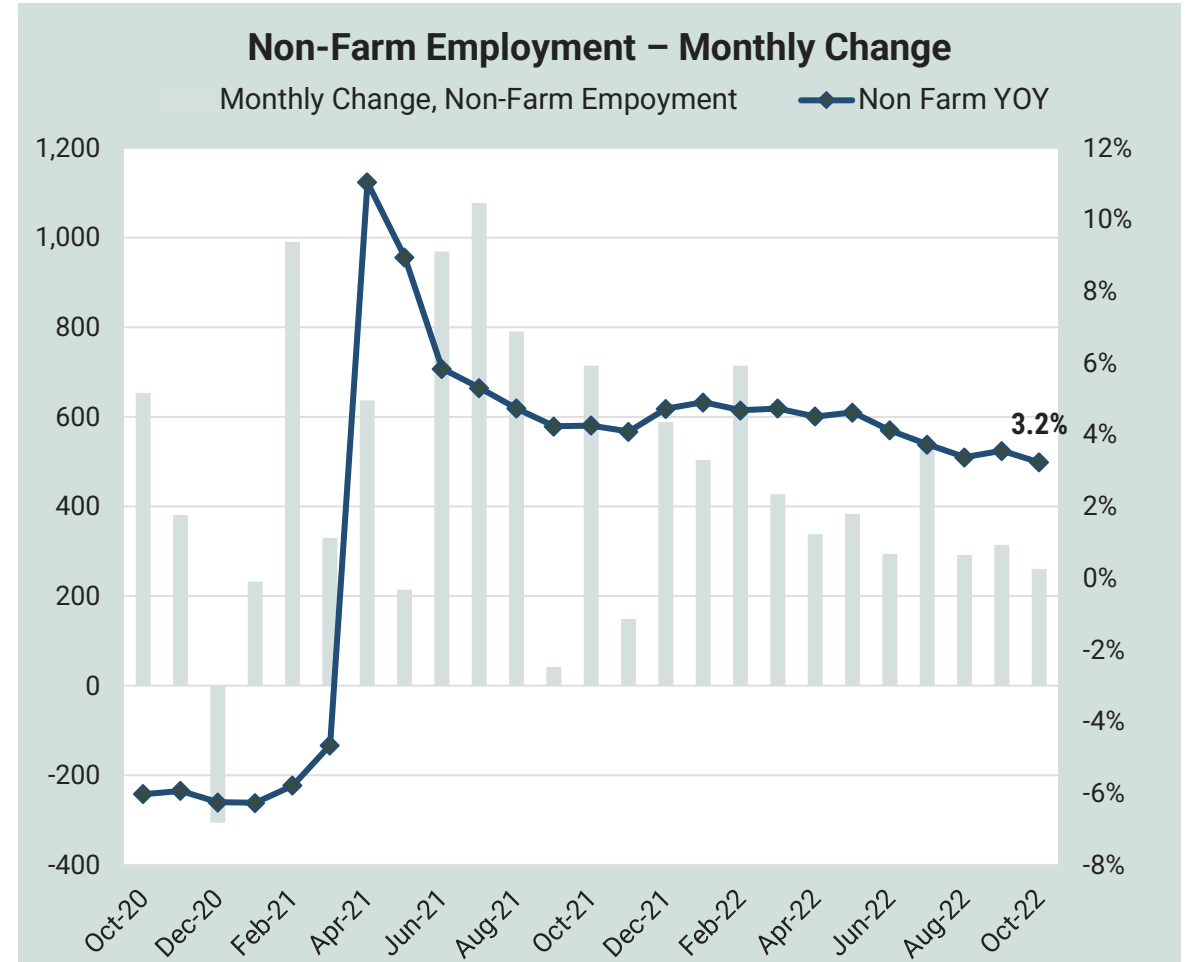
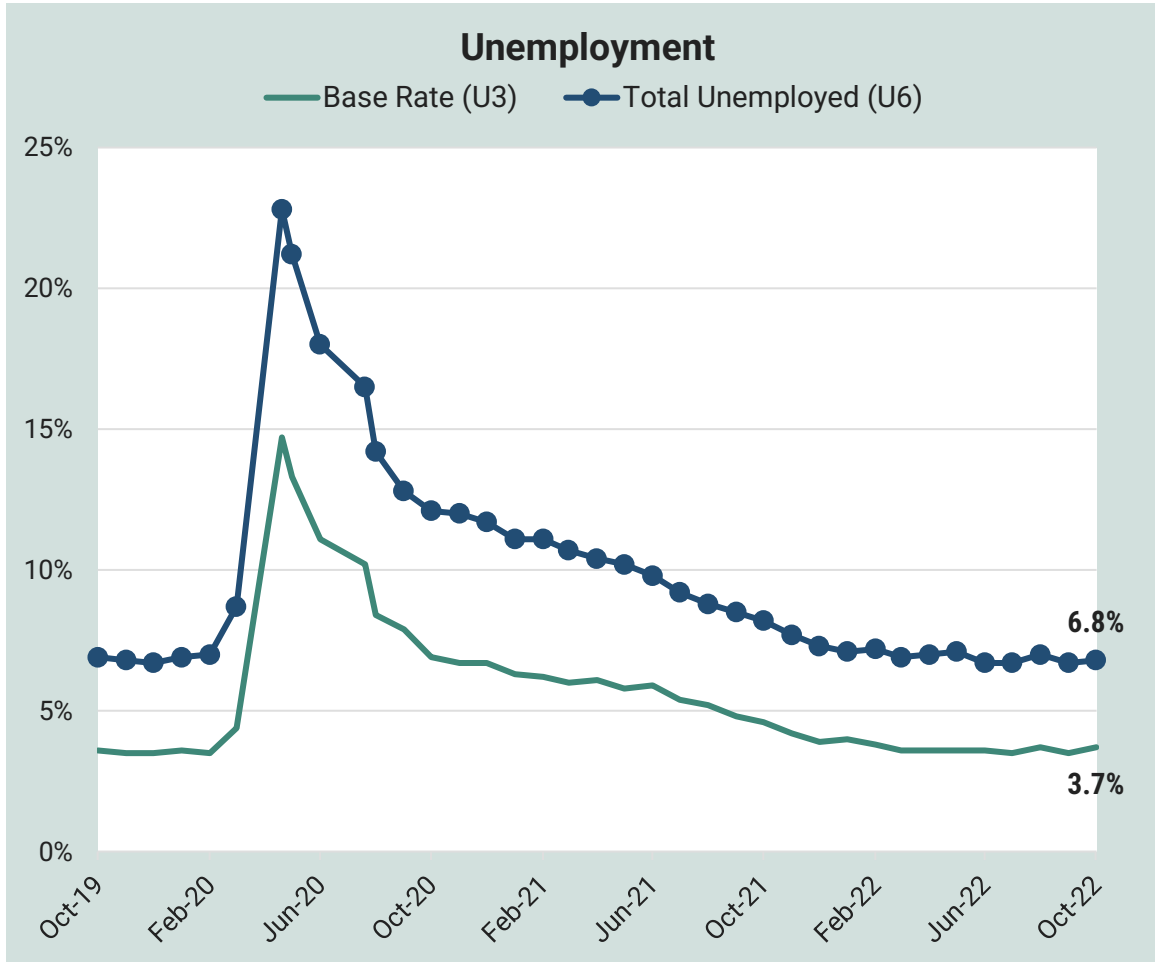
---

# U.S. Employment

# U.S. Employment Overview



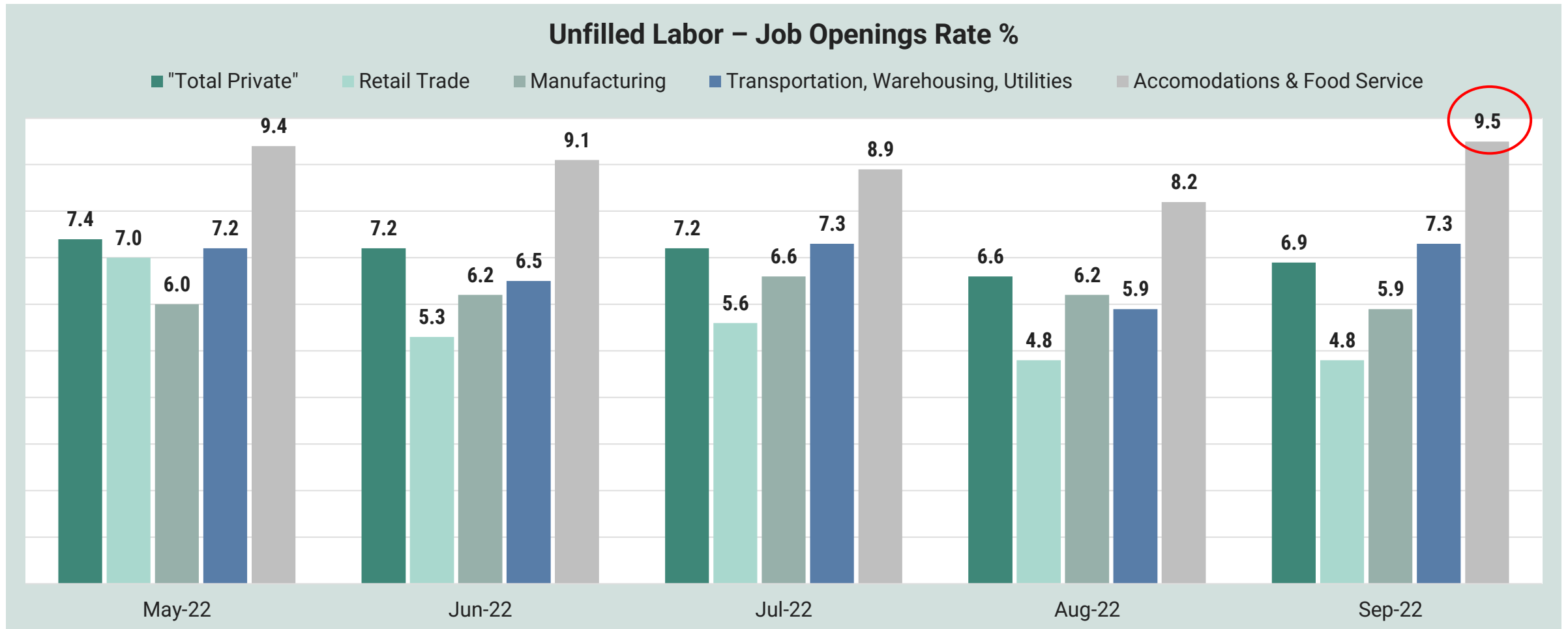
Unemployment remained below 4%; non-farm employment was up 3.2% month-to-month





# Private Industry Labor – Job Openings

Job openings persist for now; Accommodations and Food Services rose to 9.5% through September

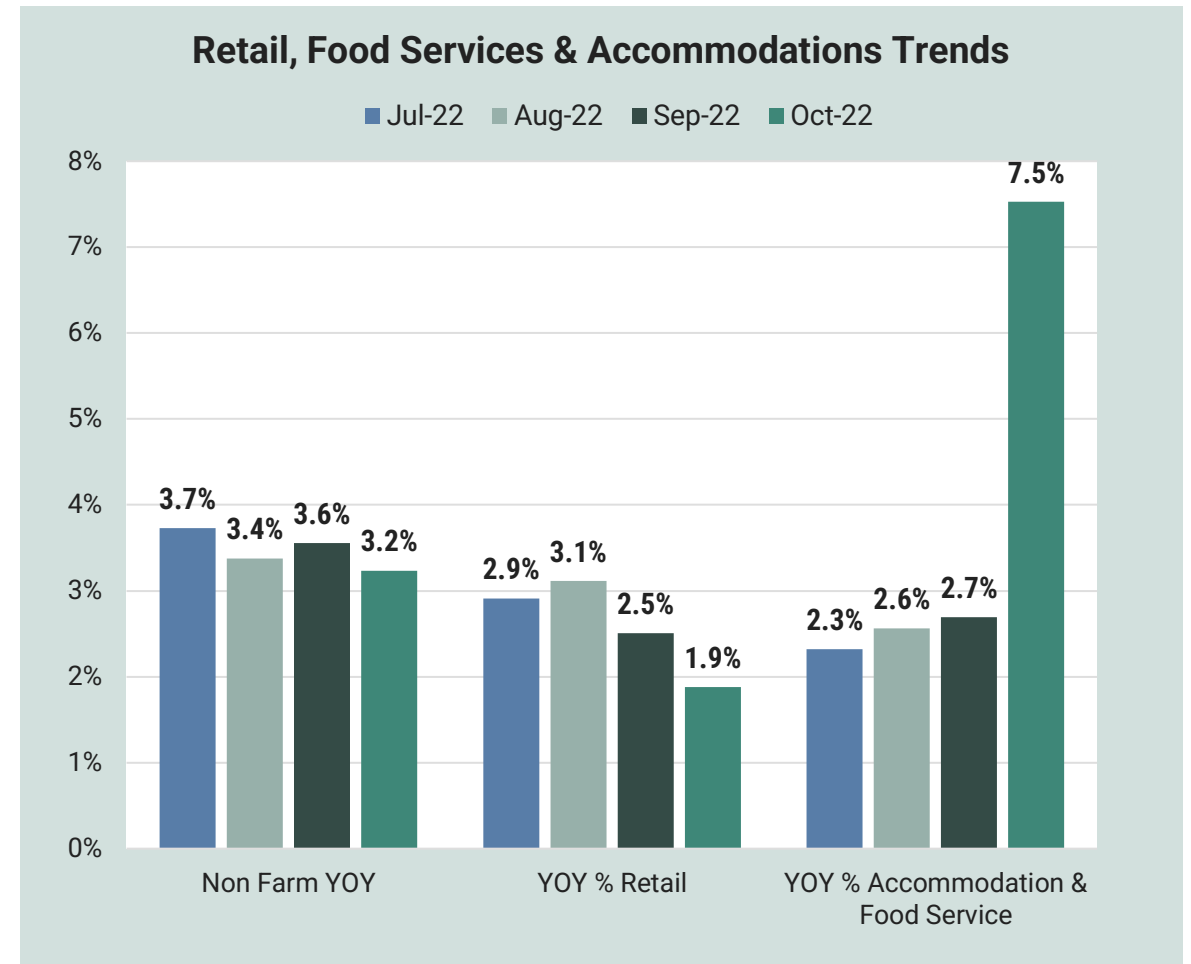
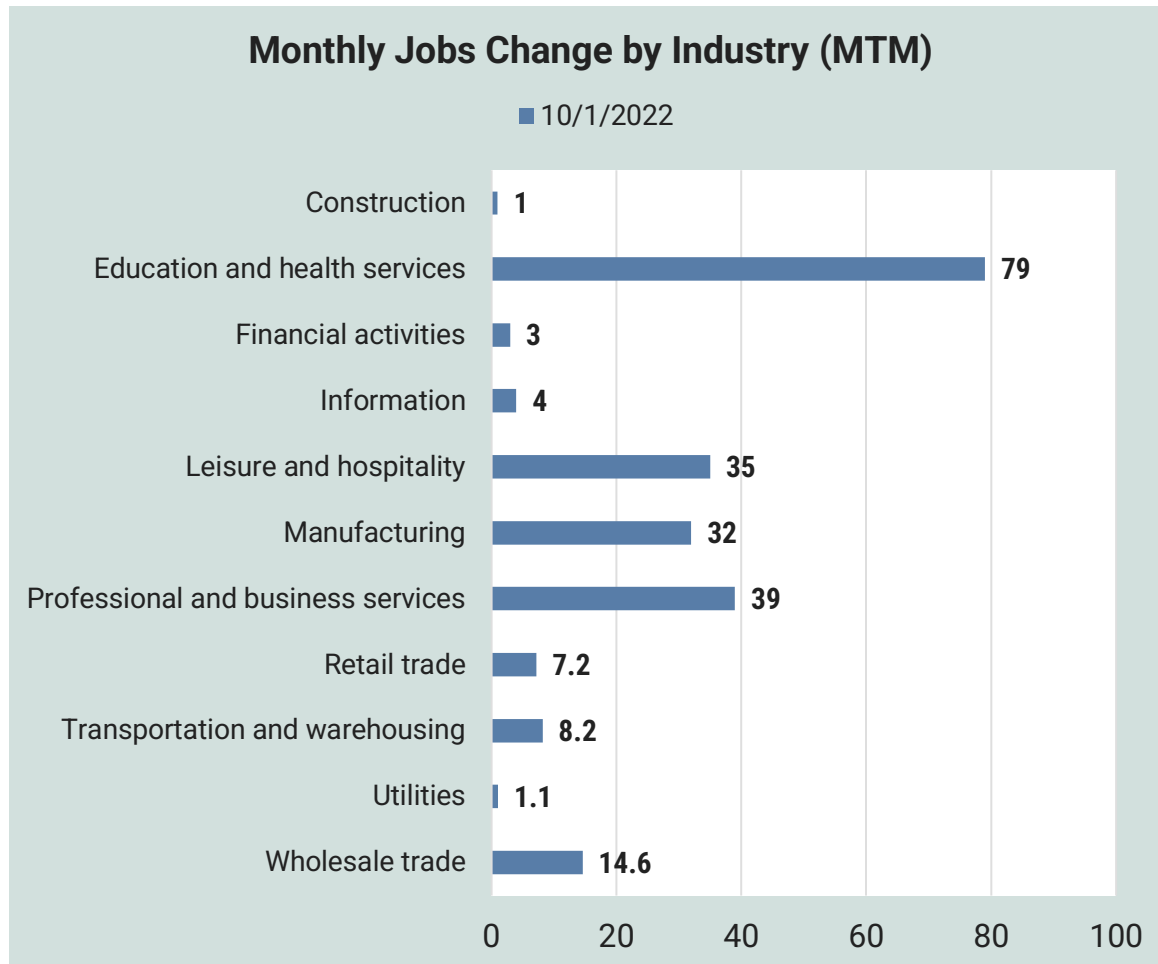


Source: U.S. Bureau of Labor Statistics; job openings rate = number of job openings on the last business day of the month as a percent of total employment plus job openings



# Industry Employment Trends

Several industries showed healthy MTM jobs increases, despite the ability to fill all available open positions





---

# Supply Chain

# Global Supply Chain Index



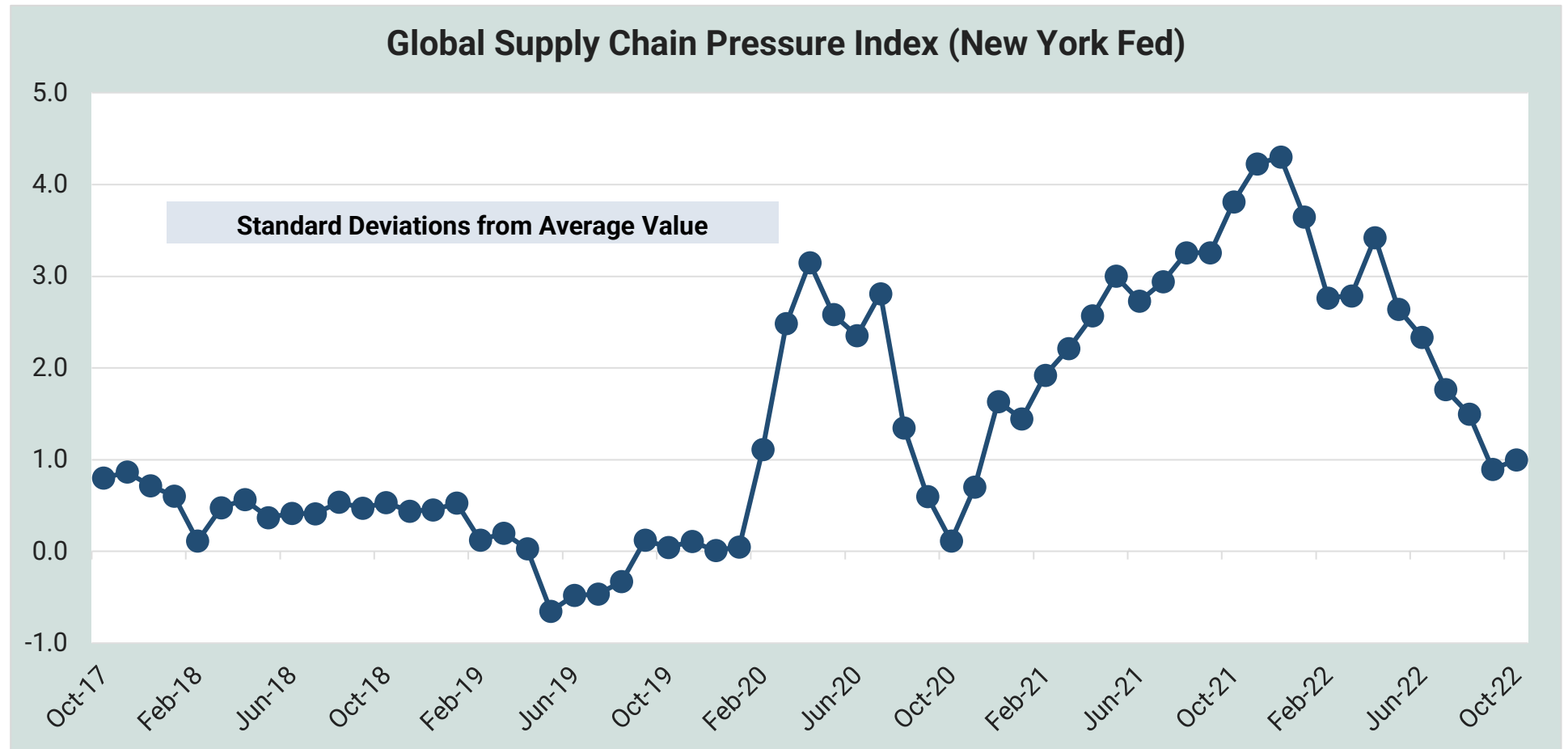
The GSCPI tracks the state of global supply chains using data from the transportation and manufacturing sectors.

The GSCPI is not an official estimate of the Federal Reserve Bank of New York, its President, the Federal Reserve System, or the Federal Open Market Committee.

The GSCPI is a product of the Applied Macroeconomics and Econometrics Center (AMEC).

<https://www.newyorkfed.org/research/policy/gscpi#/overview>

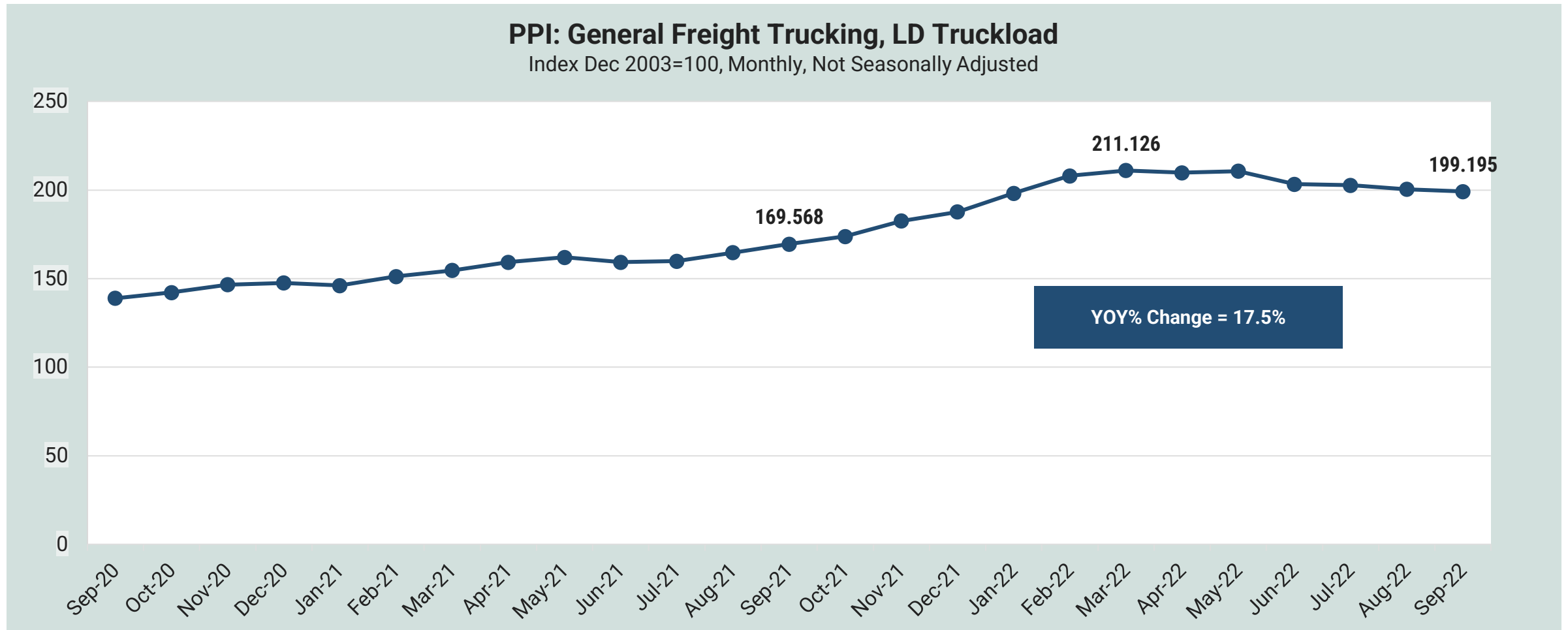
Global supply chain pressures increased moderately in October after five consecutive months of easing; October increase was driven by upward pressures from Taiwan delivery times, Taiwan purchases, Asia outbound air freight, and U.K. backlogs.





# Freight Inflation - Trucking

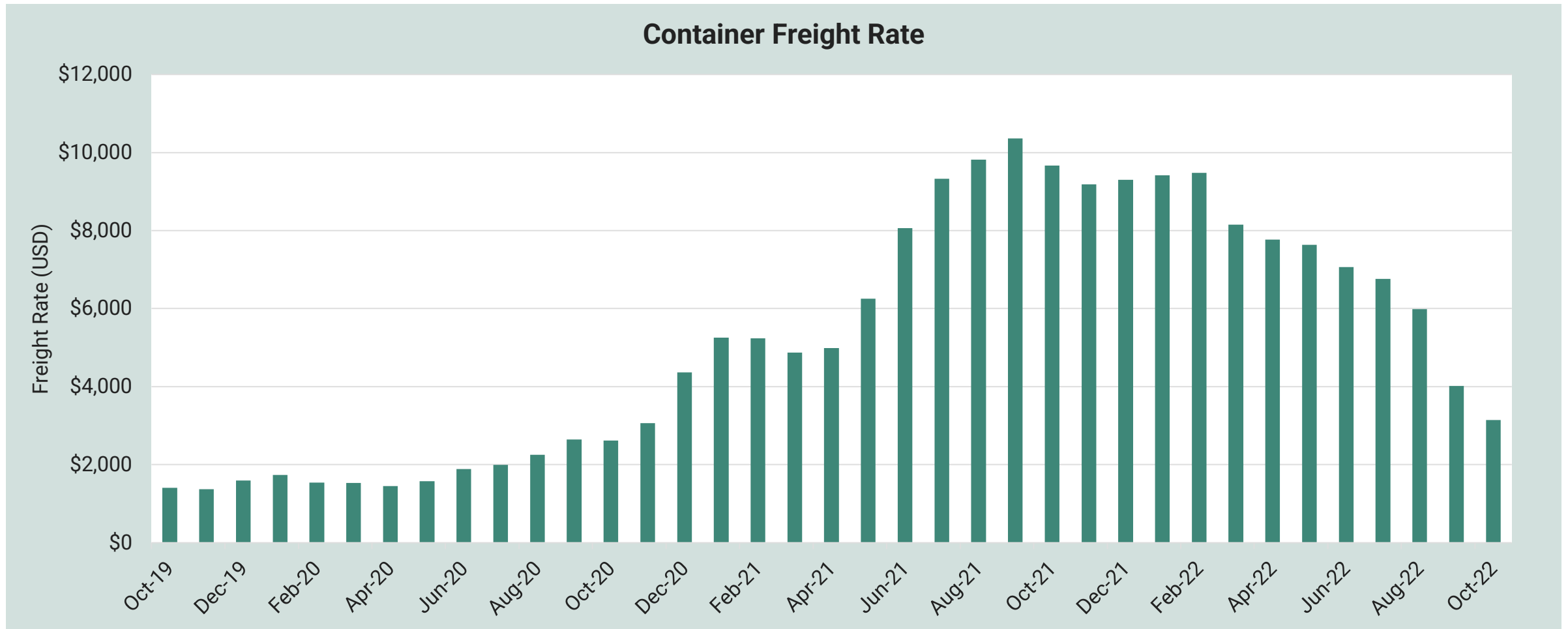
General freight trucking is 17.5% over last year but has dropped 5.7% since the 2-year high in March





# Global Container Freight Rate Index

Container freight rates have started returning to historic norms after steep increases in 2021



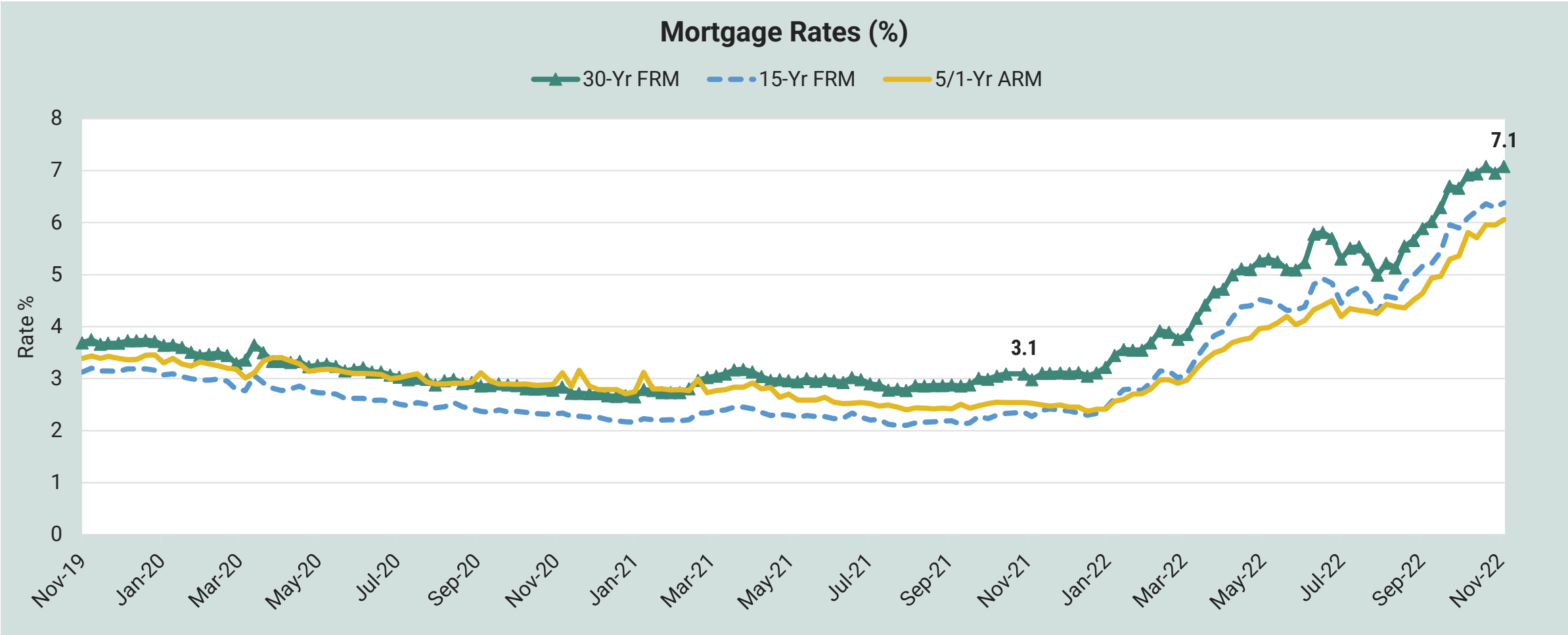
---

# Housing

# Mortgage Rates



30-year prime rose to 7.1% in October; housing markets continue to feel the impact of rising mortgage rates

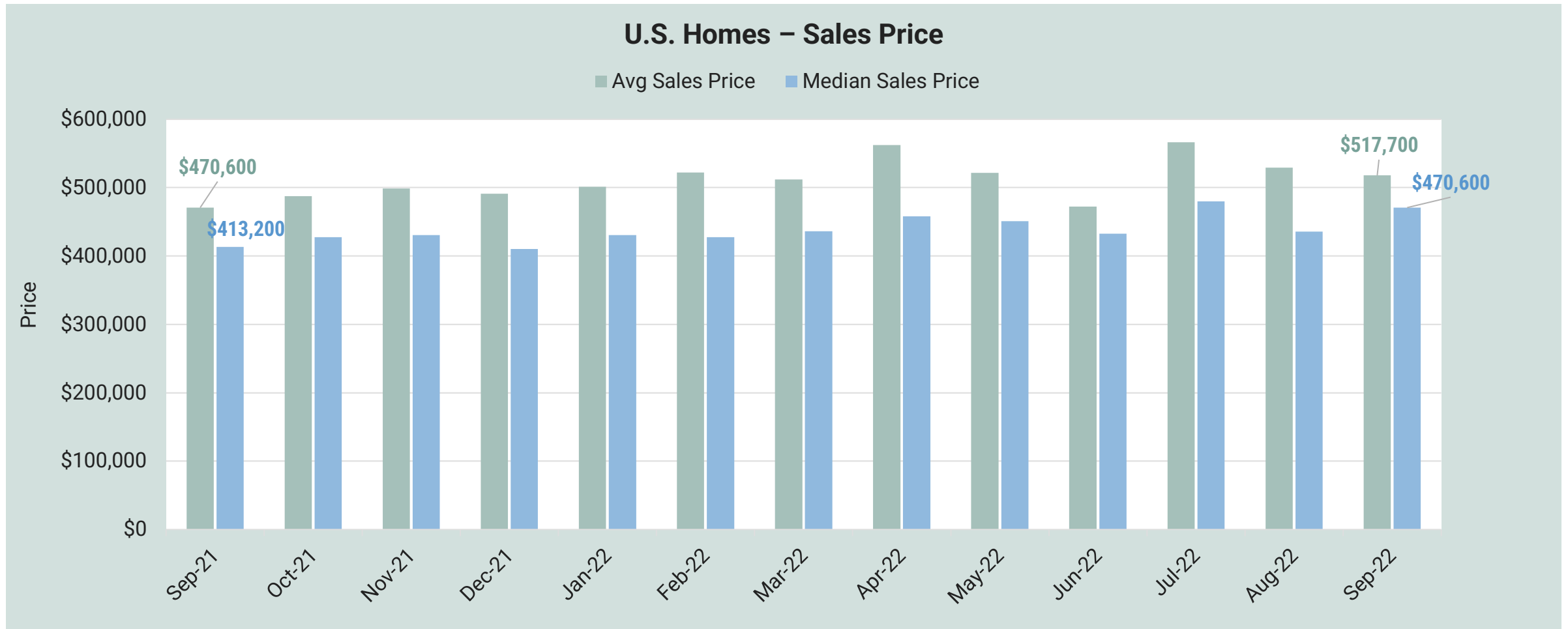


Source: FreddieMac Mortgage Market Survey, <https://www.freddiemac.com/pmms/archive?year=2022>



# Housing – New Home Prices

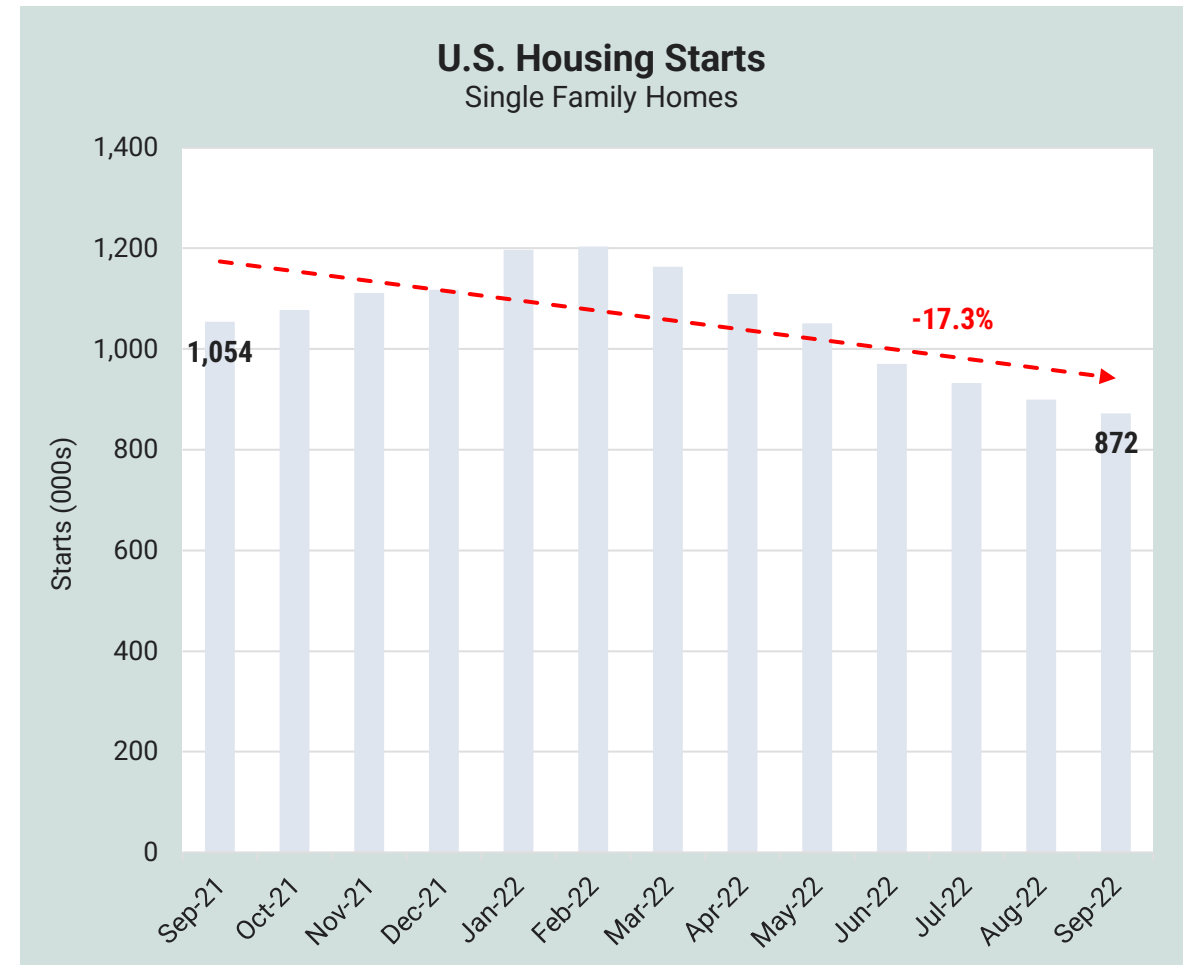
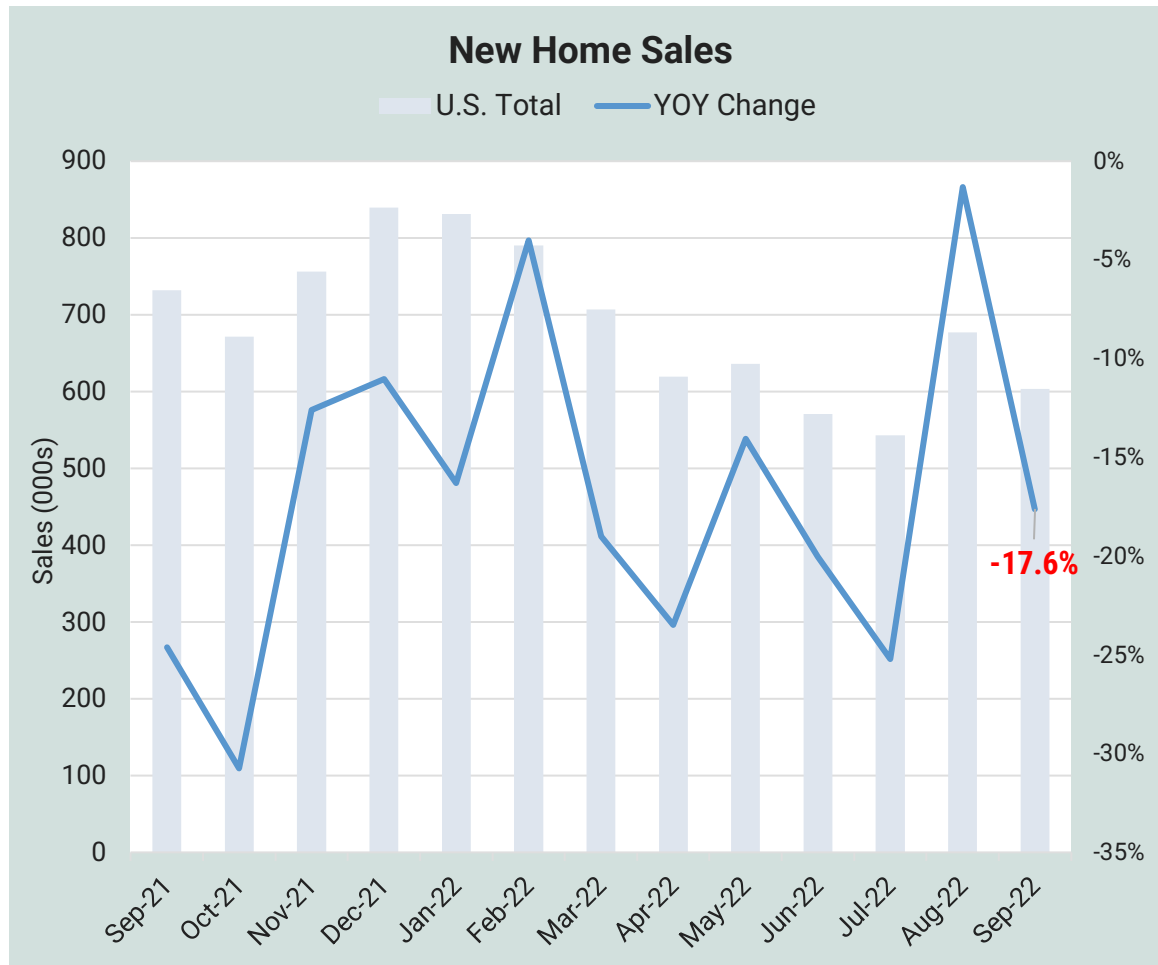
The average sales price of new single-family homes sold in September 2022 was \$517,700 (+10%); the median sales price was \$470,600 (+14%)





# Housing – New Home Sales and Starts

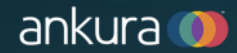
**Sales of new single-family houses in September 2022 were down 17.6% vs. 2021; single family housing starts decreased 17.3% in September**





---

# About Ankura



WE ARE A GLOBAL ADVISORY FIRM COMMITTED TO HELPING OUR CLIENTS  
PROTECT, CREATE, AND RECOVER VALUE.



Our experts bring acumen and a depth of knowledge gained from careers spent in executive level decision-making roles at companies and consultancies in some of the world's most recognizable names.

## Industry Depth



Retail & Consumer Products



Apparel/Textiles



Automotive



Food & Beverage



Supply Chain



Education



Energy, Mining & Natural Resources



Financial Services



Hospitality, Gaming & Leisure



Manufacturing, & Industrials



Government & Public Sector



Healthcare & Life Sciences



Building Products & Construction



Technology, Media & Telecommunications



Transportation



Real Estate

---

# Ankura Performance Improvement



# Ankura Performance Improvement Industry Experience

Ankura's Performance Improvement team brings the right resources with extensive industry and consulting experience to client projects, delivering end-to-end solutions to companies at critical inflection points

## INDUSTRY EXPERIENCE



**All Retail Channels**



**Vertically Integrated  
Consumer Goods**



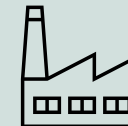
**Service  
Industries & Restaurants**



**Direct-to-Consumer**



**Child Care & Early  
Education Centers**

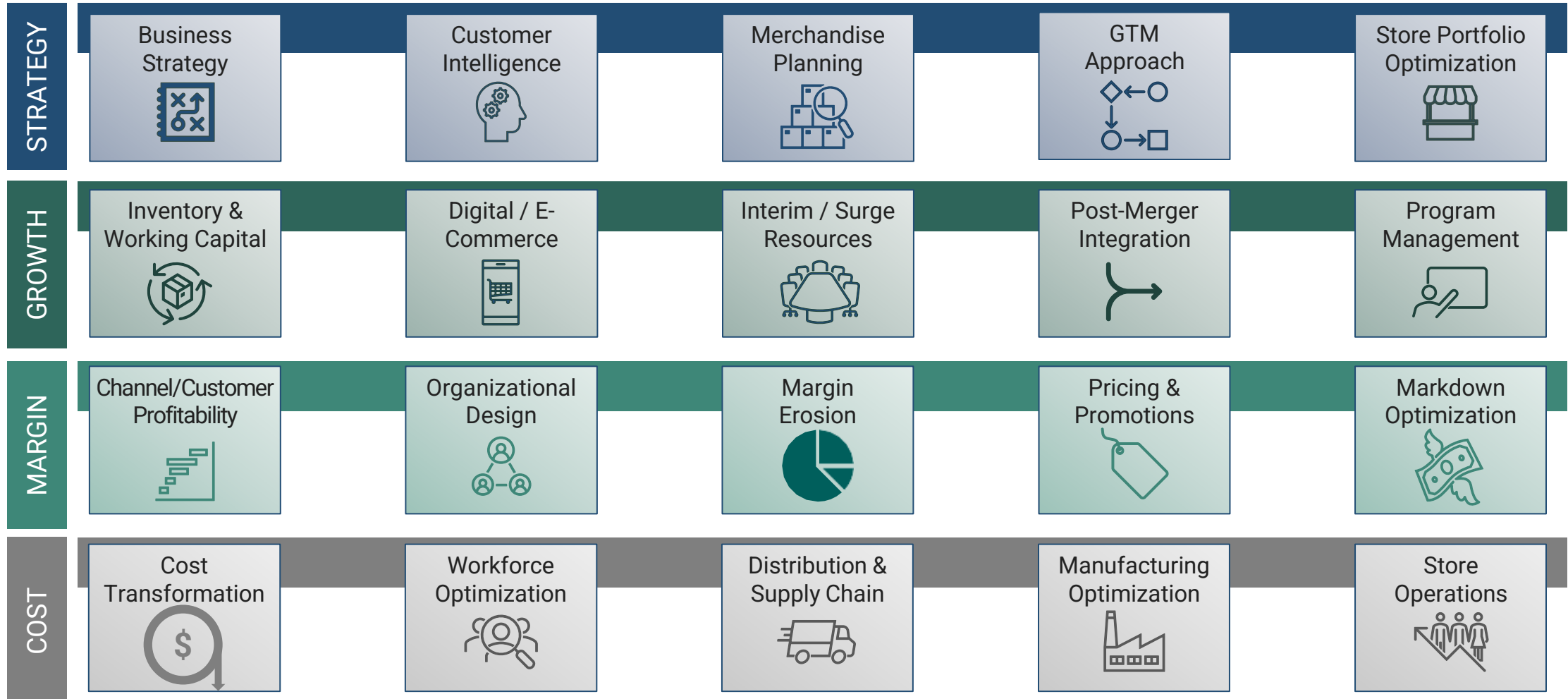


**Shop Floor  
Manufacturing**



# Performance Improvement Core Solutions Offering

We help clients develop sustainable performance improvement goals, targeted operating plans and implementation aimed at maximizing EBITDA and cash flow – with an emphasis on speed to results

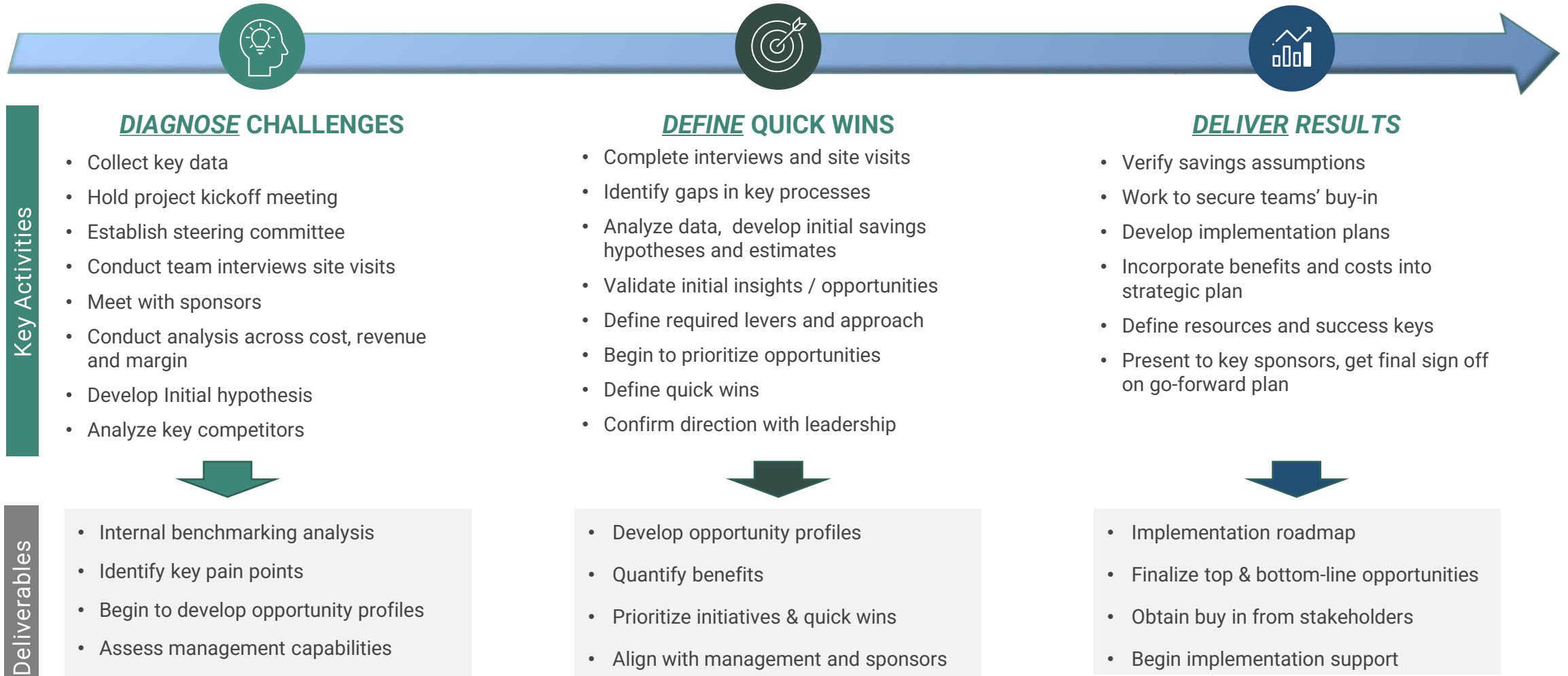






# Ankura DX3 Assessment Approach: Diagnose, Define, Deliver

Our DX3 Assessment drives rapid diagnosis, identification, and delivery of opportunity profiles, yielding a series of quick-hits ready for immediate implementation



# Contact us

Ankura Consulting Group, LLC is an independent global expert services and advisory firm that delivers services and end-to-end solutions to help clients at critical inflection points related to conflict, crisis, performance, risk, strategy, and transformation.

The Ankura team consists of more than 1,800 professionals serving 3,000+ clients across 55 countries who are leaders in their respective fields and areas of expertise. Collaborative lateral thinking, hard-earned experience, expertise, and multidisciplinary capabilities drive results and Ankura is unrivalled in its ability to assist clients to Protect, Create, and Recover Value.

For more information, please visit:  
[www.ankura.com](http://www.ankura.com).



## **Keith Jelinek**

Senior Managing Director  
1.248.894.8264  
[keith.jelinek@ankura.com](mailto:keith.jelinek@ankura.com)



## **Rick Maicki**

Senior Managing Director  
+1.216.906.1580  
[rick.maicki@ankura.com](mailto:rick.maicki@ankura.com)



## **Matthew Sgrignari**

Director  
+1.401.215.5564  
[matt.sgrignari@ankura.com](mailto:matt.sgrignari@ankura.com)





PERFORMANCE IMPROVEMENT

[ankura.com](https://ankura.com)

